Jessie Miller

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STRATEGIES FOR INTEGRATION

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Taxes, poverty, and equality

IRVING KRISTOL

It was not so long ago—in 1958, to be exact—that John Kenneth Galbraith could casually observe, in the course of analyzing *The Affluent Society,* that "few things are more evident in modern social history than the decline of interest in inequality as an economic issue." Obviously, times have changed, though in what way or for what reason it is not at all clear. The question of inequality is now widely regarded as an urgent one, especially in connection with our present system of taxation, which many hold responsible for a distribution of income deemed to be flagrantly unequal and hence inequitable. No one has a kind word to say for our tax structure; everyone appears utterly convinced that it is in a miserable condition and that drastic surgery is as necessary as it is desirable.

In this atmosphere of feverish discontent, meaningless rhetoric and misleading statistics flourish. They are so common that most of us simply nod at them, in some kind of vague assent or toleration: The urge to scrutinize has withered away. Thus, the *New Republic*'s eminent columnist, TRB, could calmly inform his readers (on June 22, 1974) that "wealth at the rate of $10 billion annually is now flowing from the lowest three-fifths of America's income groups to the richest one-fifth." That *sounds* precise and authoritative enough

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—only, if one stops to think, one is prompted to wonder what this "flowing" means and just how it is happening. It cannot mean what it seems to mean: that the distribution of income in this country is all of a sudden becoming more radically unequal, to the benefit of the very rich, than it had been. Such a statement would simply be false, and no reputable economist, of whatever political persuasion, has sanctioned it. Presumably, TRB had some more arcane bit of economic intelligence in mind. Or perhaps he was merely giving an extremely loose interpretation of something he read, somewhere. But what is absolutely certain is that the readers of the *New Republic* are not going to bother him with demands for an explanation. On this subject, they—like most of us—are credulous to the point of numbness.

The fact is that the partisan use of statistics, in the modern world, seems to have outdistanced the ability of even well-informed and educated citizens to cope with them. Thus, one reads that the top 20 per cent of families, which receive a little over 40 per cent of total income, now pay 50 per cent of total taxes, and the top five per cent, which receive 16 per cent of total income, pay 25 per cent of total taxes. This statistic is accurate and conveys the impression that our present tax system distributes the tax burden rather fairly. One also reads that the top 20 per cent pay in taxes about the same proportion (33 per cent) of their income as the lowest 20 per cent. This statistic, too, is accurate in its own way and, while not contradicting the first, conveys a quite opposite impression. One can do quite marvellous things with statistics, and the sad truth is that most of us are utterly defenseless against their inherent persuasive power.

Similarly, one can make (many do make) much of the fact—and it is a kind of fact—that families with annual incomes below $2,000 pay 50 per cent of their income in taxes. That sounds horrendous—until one is made aware of the complications lurking in the background. To begin with, we are not talking about *income* tax, from which these families are exempt. Nor are we even talking about such familiar "regressive" taxes as the sales tax, which obviously cannot amount to 50 per cent of expenditure. (Among such low-income families, expenditure can be assumed to be identical with income.) No, we are talking about payments which most of us do not regard as "taxes" at all—e.g., that portion of our rent which represents the landlord's real estate tax. And it further helps to put this statistic in perspective if we realize (a) that in most cases this income is not *earned* income but represents tax-free (of income tax, that is) transfer payments from the government in the first place (welfare, social security, unemployment insurance, etc.); and (b) that not all

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of these families with incomes below $2,000 a year are really poor—a 24-year-old married graduate student, who earns $1,800 as a research assistant or teaching assistant, and who also receives financial support from his and his wife's parents, or who borrows on the basis of his (or her) future earning prospects, is not so much terribly poor as very young. Now, none of these qualifications should be taken to imply that we do not have a problem of poverty in the United States. They do suggest, however, that mixing up the problem of poverty with the problem of tax equity is not very enlightening, though the political and rhetorical advantages of such confusion are evident enough.

As with income distribution, so with the distribution of wealth. TRB, in the aforementioned column, declared indignantly that "fewer than one per cent of the people currently own over 50 per cent of the corporate stock in the country." And, from other recent and reputable publications one can cull similar statistics: that two per cent of individual stockholders own about two thirds of all stock held by individuals, or that the top one per cent of adult American wealth holders own roughly 25 per cent of all personal property and personal financial assets. Now, there is no doubt that wealth is unequally distributed in the United States—but it is also certain that wealth is not nearly so concentrated as those statistics would lead the casual reader to think. The phrase "corporate stock" brings to mind the stock of General Motors or IBM—one is not likely to think of all those thousands of small or tiny businesses where stock is owned mainly by an individual founder or members of his family, and where the value of the stock may be modest or even negligible. Who owns what proportion of "the total corporate stock" tells you far less than it seems to. Similarly, the percentage of "all stock owned by individuals" slides around the fact that a significant percentage (35 per cent is a common estimate) of the stock of the larger corporations is owned by institutions—pension and profit-sharing funds, mutual insurance companies, mutual funds—which are surrogates for individuals who, in their own name, own no stock at all.[1] In other words, *the mode of stock ownership by less*

[1] Thus, the Sears Roebuck pension and savings fund owns 20 per cent of all outstanding shares of the company. The value of the common stock owned by all pension and savings funds amounts to about 15 per cent of the total market value of all shares of all companies listed on the New York Stock Exchange. The assets of these funds are growing at the rate of 14 per cent a year—i.e., they will quadruple by 1985. "Social ownership" of the "means of production" is proceeding faster than anyone realizes—only not in ways that either socialists or capitalists anticipated.

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wealthy people is collective rather than individual, so that statistics on individual stock ownership exaggerate the degree of concentration. And much the same thing is true for "personal financial assets": For most working-class and middle-class people, *impersonal ownership* of financial assets is more important than personal ownership. These assets are mainly in their pension plans—and also, of course, in social security and medicare (the equivalent of an annuity and a medical insurance policy, respectively), which are not counted as "assets" at all but which, if capitalized and included in the statistics, would significantly reduce the degree of inequality in the ownership of "wealth." We have gone to great pains to create a "welfare state," but our statistics on the distribution of wealth utterly ignore the existence of the institutions of the welfare state, and of the claims upon the nation's wealth which these institutions "own."

To repeat, the ownership of wealth in the United States is unequally distributed—somewhat more unequally than income, most economists estimate. But those isolated and scary statistics—all technically correct—which convey the notion that this country is "owned" by a tiny oligarchy of rich people are the stuff of paranoid fantasies, not of economic or social reality.

The "facts" and the "truth"

The basic facts about the distribution of income in the United States over the past decades are well known, and are set forth in the following table, constructed by the Council of Economic Advisers in February 1974:

	1947		*1972*
Bottom 20% of population received	5.1%	of total income	5.4%
Top 20% of population received	43.3%	of total income	41.4%
Top 5% of population received	17.5%	of total income	15.9%

Over the past 25 years, there has been a slight shift of (pre-tax) income away from the very rich to the middling ranks—not, in any significant degree, to the poor. That is what the statistics show. They also show, beyond question, a substantial and persistent degree of inequality in the distribution of income. So far, so uncontroversial. However, as is almost always the case, the statistical "facts" may as easily obscure as reveal the "truth" of the matter.

To begin with, there is always the question of the subjective impression created by objective statistics. In this case, especially, there is the way most of us react to any statistics concerning "the top five

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per cent" or "the top 20 per cent" of the income-receiving population. It is in the nature of a democratic, affluent society that quite well-to-do people never do *feel* as well-off as they statistically are. Later on, it will be suggested why this is so; but, for the moment, it sufficies to say that most people, when they think of "the top five per cent" or the "top 20 per cent," promptly have visions of the Great Gatsby, or the Rockefellers, or at least the executives of major corporations. It comes as a great shock to them to discover they may very well, without knowing it, be thinking of themselves. The "top five per cent" consists of all households with incomes over $30,000 a year. The "top 20 per cent" consists of all households with incomes over $20,000 a year. Most of these "rich" people are people who, in the ordinary course of events, are regarded as "middle-class"—our doctor, our dentist, our lawyer, our accountant, our children's professors, perhaps ourselves. This confusion of socio-economic perspectives creates a special problem for politicians, who start out with the idea of "taxing the rich" and end up with a "middle-class tax rebellion" on their hands.

But there really is much more to it than that. These objective statistics are not only easily misread—they are also, *objectively*, very misleading. They grossly exaggerate the degree of income inequality in the first place, because, like all such cross-sectional statistical pictures snapped at a moment in time, they overlook a very significant human and social phenomenon: age, and the relation of age to income.

Young people earn less than mature adults in the prime of their working lives. Old people, over 65, earn less than younger adults in the prime of their working lives. We all know this and take it to be perfectly natural and proper and inevitable. *But the table cited above, like most such tables on the distribution of income, does not "know" this.*

Just how important the question of age is in determining the distribution of income may be seen from a look at the 25 per cent of all households that earn less than $5,000 annually. In 10 per cent of these households, the head is under 25 years of age. In 46 per cent, the head is over 65. Only 22 per cent of these households have more than two people. The conclusion is inescapable that the conventional cross-sectional "picture" of income distribution in the United States significantly overstates the degree of income inequality.[2]

[2] Presumably the same is true for the distribution of wealth. The London *Economist* (June 22, 1974), after estimating that 10 per cent of Britain's population owns 40 per cent of all personal wealth, reckons that since "the old are bound

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Moreover, once we are alerted to the importance of age in affecting the distribution of income, we become aware of some odd and paradoxical connections between demography and the distribution of income. Thus the postwar baby boom, by increasing the proportion of young workers, is clearly making the distribution of income today at least slightly more unequal than would otherwise be the case. The same is true for the postwar boom in higher education: It has increased the number of households consisting of married graduate students (including medical students, law students, etc.) who have (temporarily) lower incomes than if they were working at full-time jobs—and who can expect to have much better than average incomes eventually.

Social policies further complicate the relationship between age and income. More generous social security payments to the aged encourages them to retire from full-time (and better-paid) work at an earlier age. Medicare for the aged increases (one hopes) their longevity, which is good for the people but bad (in terms of equality) for the income distribution curve. It is facts such as these which make it so senseless to demand, as many of our egalitarians are now doing, that no "person" or "household" should have an income of less than 60 per cent of the national median. The categories of "person" and "household," which disregard age and specific circumstance, are just too vague for any serious discussion of the "fairness" of income distribution.

Lester Thurow, in his analysis of income inequality in *The Public Interest* (No. 31, Spring 1973), does take age partially into account. He points out that the top 14.5 per cent of adult, white, fully-employed males earn 28 per cent of total earnings for this group. And he suggests that this fairly modest degree of inequality—modest in view of the differences in occupation, from doorman to surgeon—serve as an appropriate goal for a redistribution of income among the population as a whole. To which one may say: (a) Since men have to be young before they become adult, and become old after passing through their prime, it is not obvious that *this* pattern of income distribution among adult males should or can serve as a model for the population as a whole at any single point in time; and (b) Thurow's own statistics do not distinguish between the younger man beginning his career and the mature man at the height of his earning power, so the degree of inequality among white, fully-

to have larger savings than the young because they have been longer at it . . . the age distribution of the population alone accounts for the concentration of 30 per cent of wealth in so few hands."

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employed, adult males is certainly even less—perhaps substantially less—than he estimates.

So where does all this leave us? Well, it leaves us with the distinct impression that the "truth" about income distribution in the United States is far more complex and confusing than the "facts," as ordinarily presented, would imply. That incomes are unequal, is clear enough. That they are less unequal than indignant critics assert, is certain. Is the inequality that does exist too large? That question admits of no easy answer. Christopher Jencks, in his study, *Inequality,* reports: "The average white child born into the most privileged fifth of white American families could look forward to an annual income 75 per cent greater than the average child born into the least privileged fifth of white families."[3] He also reports that income differences between brothers who have been raised in the same home are almost as great as the difference between any two individuals chosen at random. Jencks, who is a socialist, was frankly surprised to discover so little inequality—though, as an absolute egalitarian, he still thinks it is too much. Others will be immensely reassured to find that traditional "equality of opportunity" still works so well. Obviously, the issue of how much inequality is consistent with a "fair" distribution of income in a democracy is anything but a simple matter of arithmetic.

Of taxes and "loopholes"

So far we have been talking about pre-tax incomes. What is the effect of our tax system upon the distribution of income? The question is easy to ask, much less easy to answer. Not only do we have a very complex system of taxation, so that its impact is diffused in ways very difficult to trace or measure, but we also have a complex economic and social system, and the interaction of these two complexities is such as to defeat the capabilities of the most powerful computer. Take the apparently simple matter of defining "income." In a welfare state, much of our tax monies—in fact, 20 per cent of our gross national product—goes to the support of services and grants which are not ordinarily counted as "income," but which are intended to function as income supplements. Here again, a good portion of the "income" of the less well-to-do, and most especially

[3] The inclusion of black children would certainly worsen the statistics. But the issue here is not the inequalities suffered by blacks, which are real enough and beyond dispute, but the extent of inequality throughout American society as a whole.

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of the poor, is *impersonal income*: subsidized housing, food stamps, medicaid, free legal services, scholarships for poor students, etc., etc. There is little doubt that when the effects of such expenditures and "transfer payments" are taken into account, the post-tax distribution of income in the United States is less unequal than the pre-tax distribution.[4]

Most of the controversy over our tax system concerns itself with the progressive income tax, and expresses the disappointments of those who expected this tax to be more redistributive than it is. Indeed, among some such people the disappointment is so keen that they declare the progressive income tax to be one huge fraud, in that there is nothing progressive about it. This is patently false. As Roger Freeman has shown, the only class for which the income tax is not progressive is the middle class—i.e., those earning $7,000 to $20,000 a year. This class has 60 per cent of the nation's adjusted gross income, but bears only 54 per cent of the income tax liability. In contrast, those over $20,000 have 21 per cent of adjusted gross incomes but bear 36 per cent of total tax liability.[5]

But why, then, does the progressive income tax not result in an obvious and substantial redistribution of income? The explanation is manifold: (1) To begin with and as has already been mentioned, much of the redistribution that does occur takes the form of services and subsidies on the part of the state which do not show up in conventional income statistics. (2) To some degree, the progressive character of the income tax is counterbalanced by the non-progressive character of other taxes (e.g., the sales tax and the social security tax). (3) Most important, the expectations about the redistributive consequences of the progressive income tax were unrealistic in the first place; there just are not enough "rich" people,

[4] The effects of the welfare state, in its totality, upon income redistribution are exceedingly difficult to calculate—there are so many different programs, in cash and kind, with so many different consequences for people in different circumstances. Robert J. Lampman has made the most sophisticated analysis, and his findings are as follows:

Some 20 per cent of the American population have an "original income"—i.e., before social security, unemployment insurance, welfare, or any other transfers in cash or kind—which puts them below the official poverty line. Their total "original income" represents three per cent of national income. As a result of transfers in cash and kind (e.g., food stamps, low-cost housing, medicare and medicaid, etc.), this 20 per cent of the population increases its share of the national income from three per cent to nine per cent. As a result of cash transfers alone, about one third of these people are taken out of poverty.

Obviously, we have not abolished poverty in the United States. Equally obviously, we have made substantial progress in that direction. Recent increases in social security will undoubtedly make these statistics look even better.

[5] See Roger A. Freeman, *Tax Loopholes: the Legend and the Reality*, an AEI-Hoover Institution study (May 1973).

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and their share of the national income is just not large enough, for the progressive income tax to have massive results by way of redistribution.

It would be nice, from the point of view of egalitarians, if our income structure resembled an inverted pyramid, in which a slice from the top yielded a visible dividend for everyone else. But, in actuality, our income structure is diamond-shaped; a slice from the very top yields a barely visible dividend for everyone else—and, if you start slicing further down, you quickly find that you are taxing large numbers of people who do not think of themselves as "rich" and who will tell their elected representatives, in no uncertain terms, that their tax burden is heavy enough already. Senator McGovern discovered this fact of economic life when he proposed his "demogrant" scheme (a $1,000 tax credit per person), to be financed by tax reforms that would affect "the rich." In its final version, this scheme required that 35 per cent of the American population pay more taxes than they do now. That is a "minority," true; but it is evidently far too large a minority for a politician to trifle with.

But what about all those "loopholes" which permit the wealthy to evade their share of the tax burden—the sort of thing that Philip M. Stern writes about in his much-discussed book, *The Rape of the Taxpayer: Why You Pay More While the Rich Pay Less,* or that Michael Harrington has in mind when he declares (*Saturday Review,* October 21, 1972): "The unconscionable fact is that the Internal Revenue Code is a perverse welfare system that hands out $77 billion a year, primarily to the rich"?

Alas, this vast and passionate literature about how the rich maneuver without cost through our tax system tells us more about the prevalence of egalitarian passions in our democracy than about our tax system.[6] This $77 billion figure is derived from a Brookings

[6]It also tells us something about the uses of political demagoguery in a democracy. Back in 1969, Joseph Barr, a former Democratic Representative with a keen eye for a headline, became acting Secretary of the Treasury for 31 days. In that period, he caused a sensation by announcing, two days before leaving office, that 155 taxpayers with an adjustable gross income of $200,000 or more had paid no income tax in 1967. He offered no explanation, but merely created the impression that some ghastly inequity in our tax system made this possible. Subsequently, the matter was analyzed by Roger Freeman and others, and it was revealed that Barr either didn't understand the tax laws or wished deliberately to mislead. Thus, the incomes he was talking about were "adjusted gross incomes," not "net incomes"—i.e., not income after costs that might have been incurred in earning that income. (For example, he counted the income received from investing a large sum of borrowed money but not the interest that had to be paid on that loan.) The failure to make this distinction explains why 55 out of the 155 paid no taxes. The other hundred are explained by the fact that they earned their money abroad and paid foreign taxes on it (sometimes larger than

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study by Joseph Pechman, which showed—in the course of proposing a simplified recasting of our tax system—that *all* tax exemptions and allowances total $77 billion dollars.[7] Repeat: *all* tax exemptions and allowances, for everyone. Mr. Pechman never said—a serious scholar, he never would say—that these deductions and allowances benefit the rich exclusively. He never even said that they benefit the rich "primarily." It is others who made that intellectual leap from bare statistics to gaudy indictment.

As a matter of fact, if all these exemptions and allowances were repealed, some 55 per cent of that $77 billion dollars would be derived from families earning under $25,000 a year. In addition, some 10 million families who earn less than $10,000 a year, and who now pay no tax because of these exemptions and allowances, would be added to the tax rolls. So there is no question at all of any total repeal of these "loopholes"—which include (it is worth a reminder) such things as personal exemptions, deductions for all dependents, the tax-exempt status of social security, unemployment insurance, workmen's compensation, veteran's disability benefits, various tax privileges for the blind and the handicapped, all charitable deductions, and all sorts of other exemptions and allowances in the tax laws that no one thinks of as "loopholes."

The real issue raised by Pechman and others is whether a portion of this $77 billion—$10 to $15 billion dollars is the figure most often arrived at—which mainly does benefit the well-to-do, can be "captured" by tax reform. The "loopholes" which such a tax reform would be directed at include (a) taxation of capital gains at special, lower rates; (b) the tax-free status of interest on municipal and state bonds; (c) the "depletion allowance" for oil and other extractive industries; (d) the exclusion of unrealized capital gains from income tax on death of the taxpayer; (e) the tax-deductibility of interest on home mortgages; and, depending on who is composing the list, a few other miscellaneous items.

One thing can promptly be said about any such agenda for tax reform: It will certainly end up "recapturing" far less than $15

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the American tax they might have paid), or because they made a generous charitable gift (e.g., to a university or a museum) larger than their income for that year, or because they had tax-loss carry-forwards from previous financial disasters. It is worth noting that there are some 15,000 people at the above-$200,000 income level, and they paid taxes in 1967 at a rate of 44 percent on adjusted gross income. Nevertheless, Barr made his point: Most Americans are now convinced that it is easy for the very rich to pay no taxes at all.

[7] For a brilliant and definitive discussion of this whole topic, see Professor Boris I. Bittker's article, "Income Tax 'Loopholes' and Political Rhetoric," in the *Michigan Law Review*, Vol. 71 (May 1973).

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billion, or anything like it. The trouble is that the easy and obviously desirable reforms (e.g., ending depletion allowances or taxing unrealized capital gains in death) raise only a little money (a billion dollars or so in the case of depletion allowances) or a relatively modest sum (perhaps $3 to $4 billion in the case of taxing capital gains at death). In contrast, the reforms that might raise more substantial sums will either never be enacted by Congress or will be enacted in such a way as to fall short of this goal: Congress is not about to affront American homeowners by ending the tax-deductibility of interest payments on their mortgages; nor is it likely to tangle with the nation's governors and mayors by ending the tax-exempt status of state and municipal bonds; nor is it going to tax more heavily the capital gains realized by middle-class homeowners or small businessmen. Congress might fiddle around with these issues so as to squeeze out a little extra revenue from the more affluent beneficiaries; but we should then be talking about, say, $6-$8 billion in extra revenue.

The really interesting question about these and other "loopholes" is not how much extra tax money can be squeezed back through them—several billion dollars probably can, which would certainly be useful but which would have only a slight effect on the federal budget, and no noticeable effect on the post-tax distribution of income. The more interesting question is how they ever came to be regarded as "loopholes" at all. By far the most important feature of the discussion of this whole matter is not the numbers and the details, but rather the way in which the question itself has come to be defined. It is a way suggestive of implications for our understanding of the role of taxation in a democratic and liberal society with a "mixed economy."

Who owns the money?

Why do we have a complicated tax system rather than a simple one? The reasons are neither obscure nor sinister. The first has to do with equity. If it is "fair"—as we would all doubtless agree—for people in comparable circumstances to pay comparable taxes, then those whose circumstances differ should pay different taxes. But people with the same incomes can be in radically various circumstances. Their number of dependents can vary; their medical needs can vary; their willingness to support public charities can vary; and so on. The tax laws try to take such circumstances into account —and often tie themselves into elaborate knots in the process.

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The second reason derives from the fact that the tax laws have the purpose, not only of raising revenues, but also of offering incentives for the channelling of personal expenditures toward what are deemed to be socially desirable ends. The encouragement of public philanthropy, the stimulation of capital investment, home ownership rather than home renting—all these are taken to be things which are good for the society as a whole, and which the tax laws should therefore help rather than hinder or even be indifferent to. Some economists look upon these provisions as "distortions" of what would otherwise be an elegantly simple mechanism for raising revenues, and as undesirable intrusions of social values into individual decision making. Most citizens, however, take it for granted that one of the responsibilities of government is precisely to affirm and sustain social values, and find it impossible to imagine a government that adopts a posture of absolute neutrality as to how people choose to spend their money—which means, ultimately, how people live.

Now, one may accept the legitimacy of both of these goals—equity and social purpose—and of government's responsibility for moving us closer to them, but nevertheless insist that the tax system ought not to be used for these purposes. After all, there is an alternative: One can levy taxes for the sole purpose of raising revenues, and then one can subsidize, by various legislative programs, all those individuals who have special needs and problems, and all those activities which government takes a benign view of. In short, take the complexities out of the tax system and transfer them to the political process. The advantage sought is one of precision. Because tax provisions are necessarily so general, they frequently benefit people who do not really need any assistance and whom Congress may never really have intended to assist (e.g., the rich homeowner). Also the more complicated the tax system, the greater the risk that the affluent may end up paying less in the way of taxes than was anticipated. A system of specific subsidies, on the other hand, can be more accurately targeted—at least in theory. In fact, however, anyone who seriously contemplates the prospect of Congressional legislation covering all of these areas might be pardoned for surmising that the legislation embodying such subsidies would be infinitely more complex than our existing tax laws—and he might also be pardoned for being uneasy at the new powers (e.g., financing private universities and all other philanthropies) which would be concentrated in Washington.

Many economists and tax experts—Stanley Surrey, most notably—

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nevertheless do favor subsidies rather than tax incentives, and argue persuasively for them. But in the course of making these arguments, a very interesting rhetorical transformation takes place. They begin to think and talk as if the basic decision to subsidize had already been made—only, the subsidies are now incarnated in the tax system rather than in positive legislation. So they come quickly to refer to all exemptions and allowances in our tax laws as "tax subsidies" or even "tax expenditures." But note what happens when you make this assumption and start using such terms. *You are implicitly asserting that all income covered by the general provisions of the tax laws belongs of right to the government, and that what the government decides, by exemption or qualification, not to collect in taxes constitutes a subsidy.* Whereas a subsidy used to mean a governmental expenditure for a certain purpose, it now acquires quite another meaning—i.e., a generous decision by government not to take your money.

When a man makes a tax-deductible gift to charity, whose money has he given away? Traditionally, it has been thought that he gives away his own money, and that the tax deduction exists only to encourage him to give away his own money for such a purpose. Today, however, one hears it commonly said that he has only in part given away his own money—in actuality, he has also given away some "public" money. This "public" money consists of that sum which, were no such deductions permitted by law, he would have to pay in taxes. It is then said—indeed, it is now a cliché—that the object of his philanthropy (a museum, say) is "*in effect*" being subsidized by public monies.

What we are talking about here is no slight terminological quibble. At issue is a basic principle of social and political philosophy—the principle that used to be called "private property." The conversion of tax incentives into "tax subsidies" or "tax expenditures" means that "in effect" a substantial part of everyone's income really belongs to the government—only the government, when it generously or foolishly refrains from taxing it away, tolerates our possession and use of it. To put it another way, when you start talking glibly of some $70 billion of legal deductions and allowances as "tax subsidies," you have already in imagination socialized that amount of personal and corporate income.

That is the real significance of all the brouhaha about "loopholes." There are, in fact, very few "loopholes" in our tax laws, in the sense that Congress—either through oversight or sheer sloppiness—*unintentionally* ends up taxing some people or some activities less than

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it thought it had. What has happened is that Congress, in its wisdom or lack of it, has decided that, for reasons of equity or social purpose, certain classes of people or certain classes of activities ought not to be taxed as heavily as other classes of people and activities.[8] This has traditionally been interpreted as a decision not to take money from people who own it. Today, a major intellectual effort is under way to reinterpret it as a decision to *give* money to people who, for one reason or another, are thought to deserve it.

By now, most public discussion of tax reform takes place on the assumption that, since there are no limits to the government's taxing powers, all the people's monies have already in principle been transferred to government, and the only question is how government should return a portion of these monies to the people. The one group of the population which remains unpersuaded of this belief is the majority of the people itself. This helps explain what otherwise seems an oddity: that in all opinion polls which ask people whether they prefer a state sales tax or a state income tax, the majority invariably opt for the "regressive" sales tax. Why? Well, with a sales tax, you pay taxes on what you spend—i.e., you have some power in deciding what taxes on your own income you wish to incur. The income tax, in contrast, has come to suggest to people that the government does not really believe they own their income after all. It is therefore the least popular of taxes.

Taxing the corporation

The hidden agenda behind the more extreme attacks upon the "inequities" of our tax system—a socialization in words which will subtly effect a nationalization in fact—is nowhere more obvious than in the case of corporate taxation. Many ardent reformers insist that corporations, by one devious means or another, slyly escape

[8] Sometimes the decision will favor affluent people as well as poor people: the personal exemption, interest payments on mortgages, charitable deductions, etc., are all of this kind. Such universal legislation, covering rich and poor alike, has always been regarded as appropriate to a democratic community living under the "rule of law." But, inevitably, it gives rise to the accusation that the rich are favored unequally and therefore inequitably. Thus a Rockefeller who gives $100,000 to a museum reduces his taxes by perhaps $70,000; whereas someone who makes $12,000 a year, and gives $10 to his favorite charity, reduces his tax by perhaps $2. But this is, of course, simply the reverse side of the progressive income tax. If you are rich, you pay a higher percentage of your income in taxes —and, inevitably, every legitimate deduction saves you a higher percentage in taxes. To argue that this is "unfair" is to assume that the only legitimate purpose of the tax system is to take money from the wealthy and give it *to the government*—not to anything or anyone else.

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their "fair share" of the tax burden. Indeed, anyone who now challenges this proposition is regarded as simply being a "spokesman for business," whose ideas are tainted by narrow self-interest. But the matter of corporate taxation is more complicated, and the issues involved are far more subtle, than one would gather from a cursory reading of our newspapers and magazines.

To begin with, there is the not irrelevant question of just whom or what we are taxing when we tax a corporation. Indeed, there is a powerful argument to the effect that corporations, by their very nature, do not ordinarily pay taxes so much as *collect* them. After all, where does a corporation get the money to pay its taxes? There are only three possible sources. (1) It can get it from its stockholders by holding down or cutting their dividends—in which case, we are talking about a concealed tax on dividend income. (2) It can get it from its customers in the form of higher prices—in which case, we are talking about a concealed sales tax. In the normal course of events, these are the ways corporations do raise their tax money—or, to be precise, these are the means of collecting them.

But if, for any reason, a corporation cannot lower or omit its dividend or raise its prices without crippling the business, it does indeed pay taxes instead of merely collecting them. It then (3) gets the money from retained earnings which would otherwise be reinvested in new plant, new processes, etc. It is this last source of tax monies which is of special interest to many reformers. This is because it gets to the heart of a crucial question: What is the role of the private sector in financing capital outlays and thereby determining (to some degree) the shape of our economic and social system? The key difference between the system of liberal capitalism and the system of state capitalism which some call "socialism" revolves around this very issue of control over investment. In our "mixed economy," this control is shared by the private and public sectors: We do not wish to give either of them unfettered control over our destinies. The consequence—and, one can only suppose, the purpose—of any sharp increase in the tax burden of corporations would be to shift such control massively toward the political authorities.

No one disputes the proposition that to get economic growth you need capital investment. At the moment, in the United States, that need is close to desperate. The share of real corporate profits in the national income has fallen steadily over this past decade. Moreover, a substantial portion of these profits is now allocated to meet anti-pollution, safety, and other standards set by law—desirable ends, but

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which do reduce the availability of capital for reinvestment in the production of those marketable goods whose prices make up the Labor Department's cost-of-living index, as well as its standard-of-living estimates. The upshot is that corporations find themselves squeezed for capital. In this situation, if you call for still more severe corporate taxation, there are only two possible explanations. The first is that you have a mindless animosity toward the very idea of corporate profits—this seems to be the case with some trade union leaders.[9] The second is that you have a very mindful, if unexpressed, preference for an economic system where all or most of the major investment decisions are made by government. This latter class of people, in the United States at any rate, usually think of themselves as "liberals." Were they living in Britain or Germany, they would identify themselves as "social democrats"—i.e., as socialists of a moderate peruasion. But since "socialism" is a chimera anyway, and always and everywhere means neither more nor less than some form of state capitalism, they may be fairly described as liberal state-capitalists.

Corporate taxes in the United States are right now among the highest in the world—higher than in Japan, higher than in Germany. So is our tax on capital gains. (It is interesting to note that Israel, under a "socialist" government which wishes to encourage investment, has never had a capital gains tax.) And the tax money which our government collects does not ordinarily go into state-owned productive enterprises; it ends up in programs which stimulate consumption rather than investment. So it is fair to say that, as things now stand, the growth of the American economy is being frustrated by taxation plus regulation, while the state itself takes little or no responsibility for sustaining an adequate level of investment. It requires about $30,000 in capital investment to support one job in manufacturing. This money may come from either the private or public sector—but it must come from somewhere. One suspects that there are quite a few people in this country who are not displeased by the current difficulties of the private sector, since it might permit the enactment of various "basic reforms" that would enhance the power of the public sector.[10]

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[9] Trade union thinking and attitudes on this question were apparently firmly set in the early 19th century, when it was generally believed by social reformers that improving the conditions of the working class was entirely a function of the *distribution* of wealth, and that the problem of *production* (i.e. economic growth) had vanished because the industrial revolution had once and for all established an "affluent society."

[10] It has been argued quite persuasively that *any* income tax, individual or corporate, is the wrong kind of tax from the perspective of economic growth. Leonard E. Kust explains why:

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Equity or equality?

The intellectual history of the income tax, which has yet to be fully written, is a fascinating subject for a student of modern capitalism and modern social thought.[11] The idea of the income tax is quite old, having been advocated by many 19th-century liberals. But these gentlemen had in mind a *proportionate* income tax, not a *progressive* one, and they perceived the former as a "fair" device for raising needed revenues, not for achieving any redistribution of income. What made it "fair" was the principle of proportionality itself, which is traditionally identical with the defintion of distributive justice (from each his due, to each his due). The idea that a wealthier person should pay higher taxes in proportion to his wealth seemed to be the epitome of equity. A flat tax of, say, 15 per cent, on everyone's income—at least the income of those above the subsistence level, it was always ag.eed—achieved this neat result: The rich paid more to the degree that they were richer.

Advocates of a progressive rather than proportionate income tax in the 19th century were all socialists, and their candid aim was the expropriation of the rich. *The Communist Manifesto* urged the enactment of "a heavy progressive or graduated income tax" for exactly this reason. To this, liberals replied that (a) there was no way of defining an "equitable" rate of progression—it would all dissolve into politics; and (b) this politics would in turn dissolve into demagogy, as politicians began to promise vast benefits to the people on the assumption that only a tiny portion of the rich would pay for them. The objection was prescient, and for a while convincing. But only for a while. As state expenditures grew larger and larger—mainly for military purposes, then for social welfare programs—and as taxes became heavier and heavier, the idea of a progressive income tax became attractive to liberals too.

The liberal argument for progressive taxation still, however, based

. . . Let us compare one dollar spent on consumption with one dollar saved and invested at five per cent. In the absence of an income tax, it takes one dollar, of course, to do either. After a 50 per cent income tax, it takes two dollars of income to spend one dollar, but it takes four dollars of income to produce the same after-tax yield as five per cent did on one dollar before the tax (*Tax Review*, July, 1973).

In short, any income tax double-taxes savings and investment—since it taxes both the money invested and the return on investment—as against consumption. Some kind of expenditure tax would seem to be preferable from a purely economic point of view. But since this is politically unthinkable in a liberal democracy, the point is academic, if interesting.

[11] The best treatment still is that superb book, *The Uneasy Case for Progressive Taxation*, by Walter J. Blum and Harry Kalven, Jr. (University of Chicago Press, 1953). Louis Eisenstein's *The Ideologies of Taxation* (New York, 1961) is also valuable.

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itself on the grounds of equity, not equality. But there was the potential for confusion here, because the argument for equity was put in terms of "equality of sacrifice." That is to say, within the liberal economists' utilitarian calculus of pleasures and pains, it could be asserted that, as one became wealthier, there was a declining utility attached to each increment of wealth—or, to put it more simply, as one became richer one could only spend money in rather frivolous ways, since there is only so much that *can* be spent to meet "basic" needs. Equity required, therefore, that money spent frivolously should be taxed at a higher rate than money sent seriously (i.e, for food, shelter, etc.). This argument, in a somewhat vulgarized form, is still the main pillar on which the theory of progressive taxation rests: We call it taxation by "ability to pay."

Now, this argument from "equal sacrifice" or "ability to pay" has some serious problems inherent in it. To begin with, it assumes that the rich spend all their money, rather than saving and investing it—in other words, it ignores the question of capital accumulation and economic growth. More important, the logic of the argument moves ineluctably from equity to equality. So long as *any* inequalities of income exist, marginal expenditures will never be equal in utility; therefore unequal rates of taxation will still be called for to achieve "true equality of sacrifice." This is so obvious that one can only suspect that liberal advocates of the progressive income tax, prior to World War I, understood it full well—that they did indeed wish to use the income tax for purposes of achieving a more equal distribution of income and wealth, but for prudential reasons thought it advisable not to say so.

In our day, of course, the idea that the income tax should have redistributive effects is no longer shocking; one can even say it is on its way to becoming part of the conventional political wisdom. Unhappily for its advocates, however, it is an idea that, in its more extreme forms, runs up against the realities of our democratic, affluent society.

One of these realities is economic—that diamond-shaped distribution of income already referred to. It is a fact that the progressive aspect of the American income tax accounts for approximately 15-20 per cent of all revenues raised by the income tax—the rest derives from the initial, proportional rate. It follows from this fact that further taxation of the rich through an increase in the rates of progression will not yield enormous revenues. Clearly it would yield *some* revenues—enough, say, to pay for a modest national health insurance scheme—but at some cost to savings, investment, and eco-

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nomic growth. It is because they dimly perceive this fact of modern economic life—not only in the United States but in all industrialized countries—that our more militant reformers of late have begun candidly to avow pure egalitarian principles as the basis for a "just" social policy. They may as well; the arguments about taxation according to "ability to pay" have already approached their redistributive limits.

A second reality which efforts to redistribute via the income tax encounter is economic-social-political, all in one. This is the fact that, in a democratic, affluent society, marginal amenities—one dares hardly call them privileges—become very expensive. As everyone becomes better off, it takes ever larger increments of income for any single family to become still better off. In New York City, in 1900, any upper-middle-class family could afford a maid, private schools, a townhouse (or at the very least a spacious apartment), and perhaps a season ticket to the Metropolitan Opera. In New York City, in 1974, only the really affluent can afford these things—and rarely can it afford all of them. The things that are cheap in a democratic, affluent society are the things that are mass produced—products or services where economies of scale are important. The things that are expensive are "minority tastes" and those services where economies of scale do not apply—i.e., the very things one wants to purchase with additional income. What this means is that practically any family in the United States today that earns less than $30,000 a year finds that its "needs" are always pressing against its after-tax income. And this, in turn, means that the argument from "ability to pay" no longer has the moral force and persuasivé power it used to, and that even the liberal middle class feels that progressive taxation has gone quite far enough.

Infantile liberalism—a democratic disorder?

It is generally regarded as bad form to analyze the motives of social reformers. One usually concedes the sincerity of their moral passion while questioning the efficacy of their proposals. This is reasonable enough, most of the time. But when that moral passion becomes intellectually petrified into a specific ideology, then sincerity can become transformed into a peculiar kind of fanaticism. At that point, the purpose of reform becomes, not a change of conditions which will satisfy the ostensible need, but rather the creation of circumstances which will legitimize in perpetuity the reforming passion itself. To that species of infantile communism which calls

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for permanent revolution, many of our liberals today respond with a kind of infantile liberalism which calls for permanent reform.

Listen, for instance, to Professor Eugene Smolensky, a distinguished economist who certainly regards himself as a liberal rather than a radical of any kind:

> Over any long period of time, humanitarianism and egalitarianism must converge, since the concept of minimally decent is as relative to time and place as is the share of income going to the bottom tenth of the population. Thus, more than 60 per cent of Americans in the very prosperous year of 1929 would be categorized as impoverished by the official definition of poverty adopted in 1962. If a new exponent of the Great Society were to be elected president in 1976, I would expect a new official definition of poverty in 1977 based on some new concept of minimally decent, which would put us right back to 1960—with 20 per cent of families in poverty (*Annals of the American Academy of Political and Social Science*, September 1973).

Note, this is not a plain prediction but also a bland prescription. That, as society becomes more affluent, the conception of an appropriate "poverty line" will drift upwards, is inevitably and properly the case. But that the concept of poverty should be continually and vigilantly redefined so that 20 per cent of the population is always "poor" is a function of ideology, not of sociology or economics or social science.

One may reasonably inquire: Is such a view primarily interested in the material well-being of poor people or the moral well-being of liberal reformers? Is it concerned mainly with a world in which poverty becomes less of a problem or rather one in which it is a permanent provocation? Most of us would think that any society which made steady progress in improving the conditions of the poor, but which resolutely kept denouncing itself for having failed to do so, is more than a little neurotic. Yet that is exactly the kind of society that many social critics today appear to regard as normal and desirable. Since these people are themselves perfectly sane, and often very intelligent, there is only one possible explanation: They are, perhaps unconsciously, considerably more interested in the perpetuation of a critical attitude toward liberal-capitalist society than in any particular set of objective accomplishments. How else is one to interpret this extraordinary phenomenon of people demanding various reforms but announcing beforehand that the achievement of those reforms will in no way satisfy them?

One effect of this state of mind is to encourage intellectual irresponsibility, even frivolity. If your critical posture toward the social reality is predetermined, no matter what the exact nature of that

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reality, you really need not think through your criticism of it. Thus, the well-known and usually astute sociologist, Lewis Coser, can write:

> The elimination of poverty in America will not be attained even when almost all of its citizens have moved above one of the statistical poverty lines. It will occur only when the present distribution of income is changed so that the bottom portion of the income distribution is shifted into the middle category (*Dissent*, October 1971).

This *seems* to be saying that all those with below-median incomes ought to be lifted up to the median level—but that, of course, is an arithmetical absurdity, since a new median would then be established, with half the population still below and half still above. It *might* be interpreted to mean that Professor Coser prefers to replace the present diamond-shaped income distribution with that of a rather squat pyramid—but that is exactly the kind of income distribution (most at the bottom, few at the top) which characterizes a poor country like India, and which egalitarian reformers regard as horrendously inequitable. But to look for any kind of precise meaning in this formula is to miss the point. The whole purpose of the formula is to be sufficiently vague and ambiguous to legitimate a permanent posture of indignant disapproval of whatever actually exists.

It is this characteristic of this class of social critics which causes them to pay so little attention to two of the most important facts about the "abolition of poverty" which we have, in recent years, rediscovered. The first is that any effort to encapsulate the specific problem of poverty into the general problem of income inequality leads to an irresolvable intellectual muddle. This is because both the poor and the rich are a minority of the population, whereas the distribution of income affects the entire population. Thus, let us suppose that, miraculously, all those now in the $8,000-$15,000 income bracket were overnight transferred into the $15,000-$22,000 bracket. Has American society then become more equal or less? From the point of view of the poor it can be argued that it has become less equal; from the point of view of everyone else it has become more equal. Both perspectives are valid—but you cannot hold them simultaneously. Similarly, if as a result of a monumental stock market crash, the percentage of those in the top 10 per cent ($25,000 or over) were halved, with some 10 million people moving downward to the $20,000-$25,000 bracket, would American society then be more equal? The answer is yes—but the condition of the poor would not have improved at all. That is why the only sensible way to

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approach the problem of poverty is through some "official poverty line"—a standard which is independent of the distribution of income. The advantage in trying to define poverty and inequality as a single problem is that it does offer a broad scope for selecting, at any time, those particular statistics with which you can "demonstrate" that things are getting worse, even if they seem to be getting better.

The other important fact is that *the way in which you "abolish poverty" can be as important as the statistical abolition itself.* This is the lesson of the "welfare explosion" of the past decade. In New York City, we have "abolished poverty"—in the sense that welfare benefits are sufficiently generous to lift all recipients above the official poverty line.[12] Other cities are considerably less generous. But is it noticeable that the poor in New York City are better off than the poor elsewhere? No, it seems not to be noticeable, or to have been noticed, or to be so. The reason is that the welfare system encourages various social pathologies—broken families, illegitimacy, drug addiction—which easily overwhelm the single statistical fact of "the abolition of poverty." Such an "abolition of poverty" through transfer payments—i.e., through a redistribution of income—does work for the aged, the sick, the handicapped; it seems to be counter-productive for all others. Dependency, for those who are not by nature and necessity dependent, can have demoralizing consequences. The bare statistics on the distribution or redistribution of income ignore this crucial sociological fact—which is why, once again, it is a good idea not to confuse the issue of poverty with the issue of a more equal distribution of income.

As Bertrand de Jouvenel has pointed out, whereas riches used to be a scandal in the face of poverty, today poverty is a scandal in the face of affluence. There is, therefore, an unquestionable moral necessity to assist the poor—in whatever way actually assists them. But when you redefine poverty in purely comparative terms—i.e., in terms of the distribution of income, of the "relative deprivation" of those who have less as against those who have more—you have eliminated the moral dimension entirely. Then, a melioristic sentiment becomes converted into a passion for equality—a passion that can be based on envy and greed as easily as on a sense of moral obligation and moral deserts. The abolition of poverty, or at least its amelioration, ought to be an inspiriting program, one which makes

[12] Indeed, if you include non-monetary benefits, in New York City a family of four on welfare has an annual income greater than one-half the median family income in the city—a situation which some reformers have long regarded as the ultimate goal in the "war against poverty."

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the entire polity feel better because it is doing good. The compulsory redistribution of income via taxation, however, in order to satisfy a sense of "relative deprivation," is little more than a prescription for eternal class war. For, our liberal reformers tell us, so long as there is *any* inequality, there will be a consciousness of "relative deprivation." Not, they hasten to add (for the most part), that absolute equality of everyone is an appropriate goal. It is only the unending struggle toward this inappropriate goal which they endorse as somehow representing the quintessence of liberal morality.

The idea of "relative deprivation" can be viewed either descriptively or normatively. As a description of what human beings are like, there is substance to it (alas). Firemen do go out on strike, and put at hazard the entire community, for the sake of a few dollars a week which will put them on a par with policemen. But it is quite another matter to accept it and endorse it as a perfectly normal and even desirable human attitude on the part of those who have less toward those who have more. This is blandly to legitimize envy, greed, and rapacity in the name of an ideal equality.

As Tocqueville emphasized long ago, equality is a natural "political passion" in a democracy. But, he went on to say, this passion can take two very different forms. It can become "a manly and legitimate passion for equality which rouses in all men a desire to be strong and respected" and which "tends to elevate the little man to the rank of the great"; or it can become "a debased taste for equality, which leads the weak to want to drag the strong down to their level and which induces men to prefer equality in servitude to inequality in freedom." The spirit of liberal reform originally—in the Progressive era, for example, as represented by Theodore Roosevelt and Woodrow Wilson—stood for equality in the first sense: It wanted to "level up," as we say. But since World War II, it is the passion for a perpetual "levelling down" that has come to prevail. It is not the improvement of the poor that matters any longer—it is punitive action against the rich that most gratifies the spirit of reform.

Is this an exaggeration? Well, it is interesting to observe the range of possible reforms which would be very helpful to poorer people, which would even work toward at least some slight diminution of after-tax inequality of incomes, and which do not rouse any enthusiasm at all among most of our reformers: children's allowances, for instance; or tax-deductibility for the first $500 of life insurance premiums; or making tax-free the first $100 of interest on a savings account. All of these would primarily benefit those with low or modest incomes. The trouble is that, being of universal application,

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they would also marginally benefit the rich. And that is enough to make them unacceptable in liberal eyes. In contrast, an increase in the present 50 per cent maximum tax on earned incomes would receive instant and loud approval. But all that this would do is to make "more equal" those who earn $50,000 a year and those who make $100,000. Why should this be of any great interest to liberal reformers?

In part, the answer has to do with the version of the democratic passion for equality which now is predominant in liberal circles. When so thoughtful a man as Christopher Jencks can solemnly write that any "inequality (in ability) that derives from biology (genes) ought to be as *repulsive* as inequality that derives from early socialization"—and when he can write this without provoking massive ridicule among his Harvard colleagues, who presumably believe in intellectual and aesthetic (or even athletic) excellence—it is clear that a mindless egalitarianism has been calmly absorbed into an infantile liberalism. But this is not the entire answer. For behind this egalitarian impulse there lies another, and perhaps stronger impulse, already referred to, which tells us much about the past and future of liberal democracy.

The "dirty little secret"

Large disparities of income, leading in turn to large concentrations of wealth, and these leading in turn to large *inherited* concentrations of wealth—such, it has long been recognized, can pose a very special problem for a democracy. The primal nightmare of a democracy is the emergence of an oligarchy that would, through the power associated with wealth, perpetuate itself, and eventually constitute a kind of aristocracy. So the question of the distribution of wealth is a proper concern for any democratic society. Whether, in the United States today, this question is acute is a matter of opinion and controversy. Since our economic historians tell us that, over the past 150 years, the distribution of wealth has probably become less unequal, it is not obvious that the subject should exercise us unduly. But let us assume, for the moment, that we decided it *was* acute enough (or was widely perceived to be acute enough) for us to do something about it. What might we do?

The question, oddly enough, is quite easy to answer: We should discourage the inheritance of large fortunes. This is a quite traditional liberal idea—Montesquieu and Jefferson would both have approved of it—nor is it such a difficult task. All we have to do is

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decide—and legislate—that no large fortune should outlast the lifetime of the man who made it, but rather that such a large fortune should dissolve into much smaller fortunes upon his death. Thus, we could make it a matter of public policy and law that no individual could inherit, in a lifetime, more than one million dollars—and any possessor of a large fortune must distribute it, prior to death or by testament, to his children, his relatives, his friends, anyone, with no one receiving more than that maximum legacy, which would be tax-free. (Institutional donations, of course, could be of any size.) Should he fail to do so, the government would levy a 100 per cent tax on the undistributed portion of his estate.

There would seem to be many advantages to such a policy. It does not discourage the incentive to invest and make money—anyone can still become enormously rich in his lifetime. Moreover, the foreknowledge that he would have to distribute his riches means that the wealthy man would, in his lifetime, be the recipient of much flattering attention and of many honors. He would, in addition, have the pleasure associated with the plenary power of disposing of his wealth as he saw fit—rewarding some, failing to reward others. No large fortune would outlast a generation; but there would still be enough wealthy people around to support charities, private educational institutions, unpopular political causes, and minority cultural tastes—in other words, to act as a useful counterbalance to the ever-increasing weight of government and the public sector. Even the children of the rich would benefit, since it has long been recognized that the inheritance of large sums of money tends to distort the motivations and corrupt the characters of young people.

It can be predicted that any such proposal would provoke the hostility of the wealthy, who really do—it is perfectly natural—have dreams of their families moving through oligarchy to eventual aristocracy. But it can also be predicted that any such proposal would be contemptuously dismissed by a great many liberal reformers. Why? The explanation is simple: When modern liberals talk about "the redistribution of income," they rarely mean a simple redistribution among individuals—more often they mean a redistribution *to the state*, which will then take the proper egalitarian measures. No proposal for the redistribution of large fortunes will get liberal support unless that money goes into the public treasury, where liberals will have much to say as to how it should be spent. That is the "dirty little secret"—the hidden agenda—behind the current chatter about the need for "redistribution." The talk is about equality, the substance is about power.

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As M. de Jouvenel observed, in his neglected classic, *The Ethics of Redistribution:*

> The more one considers the matter, the clearer it becomes that redistribution is in effect far less a redistribution of free income from the richer to the poorer, as we imagined, than a redistribution of power from the individual to the State. . . . Insofar as the State amputates higher incomes it must assume their saving and investment functions. . . . Insofar as the amputated higher incomes fail to sustain certain social activities, the State must step in, subsidize these activities, and preside over them. Insofar as income becomes inadequate for the formation and expenses of those people who fulfill the more intricate or specialized social functions, the State must see to the formation and upkeep of this personnel.

Is this not, in effect, what has been happening over the past half-century? The distribution of income and wealth within the private sector has been affected only modestly by the rise in the variety and extent of taxation. But the distribution of income and wealth as between the private and public sectors has been affected enormously. True, much of the money diverted to the public sector ends up in programs and expenditures that benefit low-income groups—and much of it, too, provides benefits for all of us. But what should not be overlooked is that this movement of money, to and fro, has helped create and now sustains whole classes of professionals, in both the public and quasi-public sectors, that have a profound interest in the growth and prosperity of the public sector (and an instinctive animus toward the private sector). This interest is both material and ideological. It is a question of jobs and status and power. But it is also a question of using the state for the purpose of "realizing one's ideals"—i.e., achieving indirectly what it is so difficult to persuade a democratic majority to endorse directly.

Taxation, poverty, and equality are all and always proper subjects for concern and reformist action. But the first step toward effective reform is to disentangle these three themes. And this first step cannot itself be taken unless one appreciates and makes allowance for the powerful (if usually subterranean) movement of opinion among proponents of reform toward some form of liberal state capitalism, as distinct from our present "mixed economy." For it is this movement of opinion which is responsible for the original entanglement and which has a profound interest in its continuance.

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The public household – on "fiscal sociology" and the liberal society

DANIEL BELL

In the classical tradition of economics, there are two realms of economic activity. There is *the domestic household,* including farms, whose products are not valued (a housewife is not paid; the produce consumed on the farm is not always measured in GNP) because they are not exchanged in the market. And there is *the market economy,* where the value of goods and services is measured by the relative prices registered in the exchange of money. But there is also now, more important than the other two, a third sector which has come to the fore in the last 25 years, and which in the next 25 will play an even more crucial role, *the public household.*[1] For reasons that I seek to make clear below, I prefer the term "public household," with its sociological connotations of family problems and common living, to the more neutral terms such as "public finance" or "public sector."

The public household, as expressed in the government budget, is the management of state revenues and expenditures. More broadly, it is the agency for the satisfaction of public needs and public wants, as against private wants. It is also the arena for the conflict of

[1] The phrase "the public household" was commonly used by German and Austrian sociological economists in the 1920's in dealing with problems of state finance. The idea of the public household is also the organizing concept used by Richard Musgrave in his standard work, *The Theory of Public Finance* (New York, 1959).

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political forces in the society. As Rudolf Goldscheid, a socialist economist, wrote almost 50 years ago, "the budget is the skeleton of the state stripped of all misleading ideologies."

Yet the extraordinary fact is that we have no sociological theory of the public household. We do have a comprehensive theory of the domestic household. Aristotle's *Politics* opens, in fact, with "the theory of the household," *oikonomia,* or household management, which is the basis for his discussion of the domestic and the political economy and the principles appropriate to each. For the market economy, we have a theory of the firm, a general equilibrium theory, and a set of philosophical justifications—the enhancement of individual benefit through the mutuality of exchange—in the writings of John Locke and Adam Smith. Yet we have no integrated theory of the economics and politics of public finance, no sociology of the structural conflicts between classes and social groups on the decisive question of taxation,[2] no political philosophy (with the recent exception of John Rawls, but nothing from socialist writers) which attempts to formulate a theory of distributive justice based on the centrality of the public household in the society.

These distinctions of domestic household, market economy, and public household, and the distinctive principles underlying each of them are, I believe, crucial for understanding the fundamental political and sociological dilemmas of advanced industrial societies.

The nature of a household is that it shares things in common—the domestic goods, the village green, the defense of the city—and necessarily has to come to some common understanding of the common good. More than that. As Aristotle observes: ". . . the business of household management is concerned more with human beings than it is with inanimate property; it is concerned more with the good condition of human beings than with a good condition of property (which is what we call wealth) . . ."

In the domestic *household* there is no *economic* principle, in the modern sense of the term. There is no effort to calculate whether one would be better off or not by specialization, or by division of labor. The distributive principle is simple. The head of the house-

[2] The most ambitious effort to develop a "sociology of fiscal politics" is James O'Connor's *The Fiscal Crisis of the State* (New York, 1973). O'Connor writes from a Marxist point of view: "The volume and composition of government expenditures and the distribution of the tax burden are not determined by the laws of the market but rather reflect and are structurally determined by social and economic conflicts between classes and groups." It is, surprisingly, one of the few Marxist efforts to grapple with the crucial role of state finance in reshaping societal configurations.

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hold makes the necessary decisions, but at the table there is a simple sharing. No one is given food in exact proportion to what he has contributed (though the head of the household may take the lion's share). Each is given in accordance with his needs.

The controlling idea is that of *needs*. According to Aristotle, men have natural needs: sufficient food, clothing, shelter from the elements, care during sickness, sexual intercourse, companionship, and the like. But these needs, biologically derived, are limited and satiable. The art of household management, for the domestic and the political economy, entails the observance of these natural limits. Acquisition has a limit in size, determined by the purposes—i.e., the natural needs—of the household. The acquisition that is unlimited, that is directed largely to selfish monetary gain, Aristotle calls *chrematistic*, and it is "unnatural" precisely because it is unlimited.

In a market economy, one defined by the principle of consumer sovereignty, what is to be produced is determined by the aggregate decision of individuals or households, as consumers, in accordance with their tastes. In a capitalist market economy—private or state—the profits from such production are not used for personal or sumptuary purposes, but are reinvested into productive equipment to provide more or cheaper products for more consumers. In a private enterprise economy, such decisions as to the use of capital are made by individuals in accordance with their judgments as to the best return; in the public enterprise economy, such decisions are made by political officials.

From needs to wants

It is important to realize that the market economy, though it is associated historically with the rise of modern private capitalism, is *as a mechanism* not necessarily limited to that system. As socialist writers going back to the early years of the century argued, a socialist market economy was entirely possible. What is distinctive about the modern market economy, sociologically, is that it has been a *bourgeois* economy. This has meant two things. First, that the ends of production are not common, but individual; and, second, that the motives for the acquisition of goods are not "needs" but *wants*.

In bourgeois society, the individual, not the state, is the unit whose purposes are primary for the society. That was the 19th-century conception of liberty: to be free of the ascriptive ties of family, community, or state, to be responsible for one's self, to make or

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even remake one's self in accordance with one's ambition. In economic terms, each man worked and saved for himself, for ends chosen by himself (or often, if he was of the middle class, for ends imitative of the higher classes).

But like the expanding geographical horizons, his sense of what he wanted became unlimited. In bourgeois society, psychology replaced biology as the basis of "need" satisfaction. It is no accident, so to speak, that the philosophy of bourgeois society was utilitarianism, a hedonistic calculation of pleasure and pain, or that Bentham, the founder of utilitarianism, coined the heavy-handed neologism, *maximumization*. In Aristotle's terms, *wants* replaced *needs*—and wants, by their nature, are unlimited and unsatiable. When the Protestant Ethic, which had served to limit sumptuary (though not capital) accumulation, was sundered from modern bourgeois society, only the hedonism remained. The economic principle—the rational calculation of efficiency and return—has been operative in the choice of means, in order to increase production (e.g., the most efficient combinations of labor and capital, or the specialization of tasks and functions), but the engine which began to drive the socio-economic system—in its Soviet Communist as well as Western bourgeois form—has been the prodigal idea of private wants and unlimited ends.

The public household, as against the market which seeks to serve diverse private wants, has always existed to meet common needs, to provide goods and services which individuals cannot purchase for themselves—e.g., military defense, roads, railways, etc. In the last 40 years, however, it has been transformed by its commitment to three new tasks.

The first was the task of establishing normative economic policy in the 1930's. The existence of the Depression made it clear that only conscious action by governmental authority could rescue the country from the crisis which engulfed it. Since then, the direction of the economy has become a central governmental task. Government spending controls the level of economic activity; tax and monetary policy control the timing of investment; transfer payments control the partial redistribution of incomes through social security, subsidies, revenue sharing, and the like. In general, all modern polities are involved in the functions of allocation, redistribution, stabilization, and growth.

The second task, which emerged in the 1950's, was the underwriting of science and technology. While much of this was linked to defense, through the revolutions in military technology, the more

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fundamental fact was the centrality of science and the systematic use and application of research, from basic science to systems analysis, to economic innovation (i.e., the development of the science-based industries such as computers, electronics, optics, polymers, and the like) and to managerial and economic policy. The linked relation of science to technology is now inextricable. (It had not been so during the industrial revolution.) The expansion of the technical and administrative classes in the society is largely irreversible, though its rate of growth may have slowed down. In consequence of these changes, the government has become directly involved in science policy (it has been estimated that about two thirds of all work in science, as regards both expenditures and personnel, is directly or indirectly dependent on government) and in higher education. Who shall be educated, and how far, how much should be spent for graduate training, and in what fields, is no longer, in its magnitudes, a matter of individual choice but of government policy.

The third task was the commitment to normative social policy in the 1960's. This ranged from civil rights, to housing and environmental policy, to health care, and to income support (the more genteel term, these days, for welfare policy—though the implications are much broader than merely helping the indigent). While much of this came pell-mell and piecemeal, what was not completely recognized, and is still not, is that the government had made a commitment not only to the creation of a substantial welfare state *but to redress the impact of all economic and social inequalities as well.* Much of this was faltering; in actual fact little as yet may have been accomplished—but the historical watershed is that a normative societal commitment has been made, and it, too, is largely irreversible.

The "political market"

These commitments are creating new and deep dilemmas for the society. To begin with, all issues and conflicts become explicit and focused. No one "voted in" the market economy and the industrial revolution, but, today, issues of direction of the economy, costs, redress, priorities, and goals all have become matters of conscious and debated social policy.[3] Moreover, the public household now becomes the arena for the expression not only of public needs *but*

[3] One may note, too, that the changeover in the conception of taxes—and the state budget in general—from revenue and the payment of the costs of government to a fiscal instrument for economic direction and redistributive purposes itself came gradually and was not the subject, at its inception, of a conscious public policy debate.

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of private wants. This takes the form of governmental responsibility for economic growth, or of various social claims on the community such as higher education for all. Above all, the basic allocative power is now *political* rather than *economic.* And this raises a fundamental question of restraints. The economic constraint on private wants is the amount of money that a man has, or the credit he is able to establish. But what are the constraints on political demands?

"One of the great puzzles of the 20th century," Charles Lindblom has observed, "is that masses of voters in essentially free democratic societies do not use their votes to achieve a significantly more equal distribution of income and wealth, as well as many of the other values to which men aspire. . . . What needs explaining is why they do not try." My argument is that such an effort will now be made. Until now, the public household has not been the arena where such action could be effective. But, today, the public household is more than a third sector; increasingly in the modern polity it absorbs the other two. And the major aspect of the public household is the centrality of the budget, the level of government revenues and expenditures, as the mechanism for reallocation and redress. How much the government shall spend, and for whom, obviously is becoming the major political question of the next decades.

The fact that the public household becomes a "political market," means that the pressure to increase services is not necessarily matched by the mechanisms to pay for them—which is either a rising debt or rising taxes. What one finds, therefore, is that the new central issue for social analysis is "fiscal sociology" (the term is Schumpeter's), and that the new field of class struggle is tax conflict (the thought is Marx's).

The emergence of fiscal sociology

In a remarkable but neglected article published in 1918, entitled "The Crisis of the Tax State,"[4] Joseph Schumpeter argued that the fiscal history of a society provides insight "into the laws of social being and becoming, and into the driving forces of the fate of nations, as well as into the manner in which *concrete* conditions and in particular, organizational forms, grow and pass away." As he stated further:

> The public finances are one of the best starting points for an investigation of society, especially though not exclusively of its political life. The full fruitfulness of this approach is seen particularly at those turning

[4] The essay, translated by W. F. Stolper and R. A. Musgrave, is reprinted in *International Economic Papers,* No. 4 (New York 1954), pp. 5-38.

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> points . . . during which existing forms begin to die off and to change into something new, and which always involve a crisis of the old fiscal methods. . . . Notwithstanding all the qualifications which always have to be made in such a case, we may surely speak of a special set of facts, a special set of problems, and of a special approach—in short, of a special field: fiscal sociology, of which much may be expected.

The modern tax state, which for Schumpeter was the heart of "fiscal sociology," arose in the 16th century and after, primarily out of the needs of the princes and monarchs of the European states to pay the expenses of war, especially as the breakdown of the feudal system of vassalage made it imperative to hire mercenary armies to do the fighting. Taxes thus came to be levied, and a bureaucratic administrative system arose to collect, and then to spend, these monies. And as the newly emergent state acquired a solid framework, taxes came to be used for other than the original purposes.

It would be impossible to trace here the vicissitudes of the state—its extension in the monarchical societies, its decline in the bourgeois societies, which wanted a "poor" state. But the general process that Schumpeter describes at the origin of the system is, clearly, as a sociological process, a recurrent possibility. As Schumpeter writes:

> It goes without saying that there is more to the state than the collection of taxes necessitated by the common need that was their origin. Once the state exists as a reality and as a social institution, once it has become the centre of the persons who man the governmental machine and whose interests are focused upon it, finally once the state is recognized as suitable for many things even by those individuals whom it confronts—once all this has happened, the state develops further and soon turns into something the nature of which can no longer be understood merely from the fiscal standpoint, and for which the finances become a serving tool. If taxes have created the modern state, so now the state on its part forms them and enlarges them—deep into the flesh of the private economy.[5]

The power of the state and, indeed, its possible autonomous role form the central fact about modern society. Yet to an extraordinary degree this role of the state, especially in economic matters, played almost no role in Marx's discussion of capitalism. As Rudolf Goldscheid observed 50 years ago:

[5] *Ibid.* As Schumpeter also commented: "Taxes not only helped to create the state. They helped to form it. The tax system was the organ the development of which entailed the other organs. Tax bill in hand, the state penetrated the private economies and won increasing dominion over them. The tax brings money and calculating spirit into corners in which they do not dwell as yet, and thus becomes a formative factor in the very organism which has developed it. The kind and level of taxes are determined by the social structure, but once taxes exist they become a handle, as it were, which social powers can grip in order to change the structure."

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> Fiscal exploitation is the oldest form of exploitation besides outright slavery. . . . Nearly all the privileged classes' privileges were tax privileges, the classes were largely tax classes. . . . In all these original forms of exploitation and early forms of capitalism, public finance and the tax system played a decisive part. Marx recognized this very clearly when he described public debts as the lever of original capital accumulation. Strangely enough, however, he failed to build this profound insight functionally into his whole doctrine.. . . . Indeed Marx so completely neglected the State in his conclusions, that he failed to observe how its expropriation helped the private expropriators.[6]

The reasons for this neglect, and they are central to the understanding of the limitations of Marxist theory, are twofold: First, Marx regarded society (the economic substructure), not the state (a political superstructure), as the true locus of social relations. The state which had emerged in the 17th century was an aspect of monarchical feudal order that would become subordinate to bourgeois society.

Second, Marx felt that bourgeois capitalism would solve—had solved—the problems of production and had created the necessary mechanisms, if not the economic fact, of abundance. For Marx, the contradiction of capitalism was the discrepancy between social labor and private property, between the cooperative nature of production and individual ownership. This is why, in the course of social evolution, socialism was the necessary next stage *after* capitalism. Socialism, in the classical Marxist sense, was a *distributive* concept, not a theory of how to manage an economy. Administration was thought to be a simple matter—so simple, as Lenin thought in *State and Revolution,* that any shoemaker could, in turn, take a hand in managing administrative matters. (His model, after all, was the post office.)

In a fundamental sense, these two theorems of Marx are irrelevant. The problem of *capital*—of raising it and spending it—is still very much with us, in the advanced industrial societies as well as the underdeveloped economies. In economic fact, it will *always* be with us. Furthermore, we have witnessed the "return" of the state. Marx—and orthodox Marxists—had felt that the state could not intervene in the inevitable crises of capitalism to provide economic stabilization and direction. In fact, when socialists were in office during the Great Depression, in Germany and in England (including the redoubtable Austro-German socialist economist Rudolf Hilferding, the author of the socialist classic *Das Finanzkapital*), the

[6] Rudolf Goldscheid, "A Sociological Approach to Public Finance," in Musgrave and Peacock, eds., *Classics in the Theory of Public Finance* (New York, 1964).

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governments took no steps to manage the crisis (other than the classical capitalist response of deflation, which deepened the crisis) because the "overproduction" crisis had to run its course. That was what Marxism taught.[7]

A young, contemporary Marxist economist, James O'Connor, seeking to build a theory of the state in relation to the centrality of the state budget, based on Goldscheid, has posed the dilemma this way:

> Our first premise is that the capitalistic state must try to fulfill two basic and often mutually contradictory functions—*accumulation* and *legitimization*. This means that the state must try to maintain or create the conditions in which profitable capital accumulation is possible. However, the state also must try to maintain or create the conditions of social harmony. A capitalist state that openly uses its coercive forces to help one class accumulate capital at the expense of other classes loses its legitimacy and hence undermines the basis of its loyalty and support. But a state that ignores the necessity of assisting the process of capital accumulation risks drying up the sources of its own power, the economy's surplus production capacity and taxes drawn from this surplus (and other forms of capital).

O'Connor is half right. This is a central dilemma of the capitalist state. But it is also true of *all* industrial or industrializing societies in which the state has taken a directive role—it is as true for the Soviet Union as for Algeria. Each state has to balance the calculation of capital accumulation (and the restriction of consumption) against the social needs and demands of the population. In this respect, the Soviet Union, too, is a state capitalist society, as are Algeria and most of the other countries that call themselves "socialist."

The normative umpire

The essential difference between the so-called socialist states and the Western capitalist states is *less* the question of property relations (though private property has given a dominant economic class a disproportionate degree of political power) than the character of the polity—the way the citizenry conceive of the "public household." O'Connor writes that "a capitalist state that openly uses coercive forces to help one class accumulate capital at the expense of other

[7] As Goldscheid observed in his essay written in 1925, but which was ignored at the time: "It is . . . both absurd and very strange that nearly all the leading socialist theoreticians from Marx to our days, who otherwise so despise bourgeois economic and financial theory, should agree with it so completely on the one point that tax reform and public finance reform can by and large alter nothing in the existing economic and social order and that fiscal policy can contribute little or nothing to a solution of the social question."

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classes loses its legitimacy and hence undermines the basis of its loyalty and support."

But it is not the "capitalist state" that runs that risk, it is the *democratic polity.* In the Soviet Union, coercion is openly used to accumulate capital (wages are held down, strikes are forbidden), and a new bureaucratic class has benefited. The Soviet Union has been able to do this because of the combination of ideology (the promise of a Communist utopia) and terror (the secret police) which a quasi-totalitarian state can employ. The sociological fact about modern, Western democratic polities is that the political system is a wider arena in which all kinds of interests—ethnic, economic, military, bureaucratic—are claimants. The political—and philosophical—problem of the public household derives from the fact that the state has to manage the double function of accumulation and legitimization: to provide a unified direction of the economy, in accordance with some conception of the common good (as well as to have some unified conception of the national interest in foreign policy); and to adjudicate—on the basis of power, or by some normative philosophical criterion—the conflicting claims of the different constituencies. In its first task, it has an autonomous function of leading and directing; in the second, it is an arena of power, at the worst, or a normative umpire at best.

The sociological dilemma for the modern public household is that it not only has to provide for *public needs* in the conventional sense, but it has become, inescapably, the arena for the fulfillment of *private and group wants;* and here, inevitably, the demands cannot easily be matched by the revenues—or by the sociological knowledge adequate to these demands. In this first respect, it was Schumpeter, 55 years ago, who uttered the prescient words:

> It can now be seen how untenable is the phrase that with the public economy and contrary to the private economy, income depends on outgoings. The fiscal capacity of the state has its limits not only in the sense in which this is self-evident and which would be valid also for a socialist community, but in a much narrower and, for the tax state, more painful sense. If the will of the people demands higher and higher public expenditures, if more and more means are used for purposes for which private individuals have not produced them, if more and more power stands behind this will, and if finally all parts of the people are gripped by entirely new ideas about private property and the forms of life—then the tax state will have run its course and society will have to depend on other motive forces for its economy than self-interest. This limit, and with it the crisis which the tax state could not survive, can certainly be reached. Without doubt, the tax state *can* collapse.

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The revolution of rising entitlements

Condorcet and Tocqueville had argued that what was distinctive about modern society was the demand for equality. That thrust continues 150 years after it emerged as a powerful political force. But in the last third of this century, that demand for equality has been broadened into a demand for a wider set of rights—political, civil, and social—as claims on the community.

What is clear is that the revolution of rising expectations, which has been one of the chief features of Western society in the past 25 years, is being transformed into a *revolution of rising entitlements* in the next 25. This may take the form of a demand for a basic minimum family income, to give each family the floor of a modest standard of living; or a demand for "educational drawing rights" in which each person would be entitled to 12 or 14 or 16 years of free education, the times to be taken at the option of the individual; or a demand for the assurance of lifetime employment through a combination of private and public guarantees. The particular demands will vary with time and place. They are, however, not just the claims of the minorities, the poor, or the disadvantaged; they are the claims of *all* groups in the society, claims for protections or rights—in short, for entitlement.

What this means, inevitably, is an enormous expansion in services —human services, professional and technical services—in the society. In the last decade, health and education, along with government employment, have been the fastest growing sectors in Western societies. (A recent article in *Science* pointed out that in the state of California, on any particular day, about eight million of the state's 19.5 million persons were under some institutional care—in day care centers, schools, hospitals, prisons, old age homes, and the like. Students in colleges—junior, community, or state—were not included, since parietal rules have been abandoned, and they are no longer counted, despite their own contrary beliefs, as being under institutional care.) While the exact statistics are unclear, it is likely that today about 35 per cent of the labor force in the United States are in the non-profit sector and that an equal percentage of the gross national product is generated in that sector. Although the rapid rate of growth of the last 15 years will taper off, the secular trend line is still distinct.

The major dilemma in "fiscal sociology" arises from the structural imbalance between the technological (industrial and scientific) sectors and the human and governmental services sector in relation to productivity, wage increases, unit costs, and inflation. An obvious

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example should make this clear. Workers in the automobile industry may demand and receive a 10 per cent wage increase. But labor costs are only 30 per cent of the cost of producing an automobile, and the rise in *unit* costs is, therefore, only three per cent. If the productivity of the industry rises three per cent or more (and it usually does), then there is no inflationary increase and the cost of the wage increase can be readily absorbed. But what, then, when policemen and, in tandem, firemen and sanitation workers also demand a 10 per cent wage increase? In those instances, labor costs are about 70 per cent of the cost of services, and a 10 per cent wage increase translates itself into a seven per cent increase in *unit* costs. But productivity in such employment rises by, say, about two per cent. This means that there is a five per cent inflationary gap as a result of the parallel wage increases. Given the fact that in the United States government employment, particularly at the state and local levels, has increased enormously (because of the greater demands for education, for health care, and for personal security), one has the ingredients for a deep and continuing urban crisis.[8]

The demise of capitalism?

Two major problems will confront the public household. One is the increasing "overload" of issues which the political system simply may be unable to manage. The virtue of the market is that it disperses responsibility for decisions and effects. The public household concentrates decisions and makes the consequences visible. Thus, numerous issues become politicized and concentrated in the small cockpit of the city hall, or aggregated into a problem for the national center. The second fact is that, because of the pressure of rising entitlements, there is a constant tendency for state expenditures to increase, requiring more taxes to pay for the services and stimulating more inflation, because of the imbalances in productivity. Both are, simply, prescriptions for increased political instability and growing discontent.

In all this, too, there is an ideological irony. For more than a

[8] For a comprehensive discussion of this question, see William J. Baumol, "Macroeconomics of Unbalanced Growth: The Anatomy of the Urban Crisis," in the *American Economic Review*, Vol. LXII, No. 1 (March 1972).

What gives added point to the entire problem is that today 65 of every 100 persons in the labor force are engaged in services (which includes transportation and utilities, as well as professional, business, and human services) and that by 1980 about 70 of every 100 persons in the labor force will be in services. For the general data on these macro-trends, see my *The Coming of Post-Industrial Society* (New York, 1973), Ch. 2.

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hundred years—since the publication of *Capital*—Marxists have been predicting the demise of capitalism. The "first" theory predicted such a demise because the unplanned and anarchic nature of the market would lead to an excessive concentration of industry, resulting in declining profit margins as the proportion of labor decreased or in large imbalances between production and consumption. Where Marxists witnessed, as in the 1930's and after, extensive intervention by the state, and a redress of these imbalances, the argument then became that capitalists and legislators would readily vote money for armaments and defense, as a means of shoring up the economy, but not for social expenditures. Capitalism, therefore, was entirely dependent on a war economy. Now a third version, or neo-neo-Marxism, holds that the growth of the state sector, with particular emphasis on social expenditure, is necessary to the maintenance of capitalism, for as James O'Connor writes, "the fiscal crisis of the capitalist state is the inevitable consequence of the structural gap between state expenditures and revenues."

Each of the three versions held the dismal fate of capitalism to be "inevitable." And at some point, since all social systems change, capitalism may expire and Marxist "theory" will claim the victory. But if the reason for capitalism's demise is the expansion of social expenditures, the labeling is a conceit. To call the heart of this argument "Marxism" is part of that incorrigible radical mythmaking which seeks to convert all crises into proof of the validity of a (constantly redefined) ideology.[9] O'Connor remarks that "the only lasting solution to the [fiscal] crisis is socialism," a term that is left pristinely undefined. Yet it is unclear how "socialism," better than any other system, would decide the "efficient" allocation between "accumulation and social demands," or deal with those structural sources of inflation that derive from the imbalances of productivity in the different sectors.

Irony apart, there are real crises ahead for the public household—in all societies. But they do not derive primarily from the "iron laws" of economics; they are the recurrent dilemmas of private vices and public interests, now writ large. The resolution, essentially, can come only from a consensual agreement on the normative issues of distributive justice in the balance to be struck between growth and social consumption.

[9] If there are relevant intellectual ancestors to this present argument, they are Weber, with his conception of *legitimacy* (or the understanding of why people give assent or denial to a social system), and Schumpeter, with his conception of *fiscal sociology* and his insight into the dynamics of tension when a democratic polity begins to make demands which cannot be matched by the productive capacity of society.

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The dilemmas of economic growth

The heart of all modern industrial societies, capitalist or Communist, is the ability to use a substantial portion of net national product for purposes of investment and economic growth. Apart from the question of the possible reduction of capital accumulation because of the rise in social expenditures, the commitment to economic growth, or even the ability of advanced economies to sustain growth, has been called into question for other reasons: the inadequacy of natural resources, and the spillover effects on the environment.

The basic framework of socio-economic policy in the next decades will be set by the interplay of resources (food, energy, materials), population, and the environment. Whether resources will be sufficient, whether the environment (including the atmosphere and climate) will be wrecked, and whether the rate of population growth, most importantly in Asia and Latin America, can be slowed, are questions on which the experts divide.[10] From a sociological perspective, however, one can make three observations about the character of "economic growth" in its relation to Western, if not now all societies with the possible exception of China and the smaller tribal countries of Africa.

First, "economic growth" has become the secular religion of advancing industrial societies: the source of individual motivation, the basis of political solidarity, the ground for the mobilization of society for a common purpose. A hundred or more years ago, as I pointed out, nobody "voted in" the "industrial revolution," as various political assemblies wrote a French Declaration of the Rights of Man, a Constitution for the United States, or a Program for the Soviet Union. But as the standard of living kept rising, societies became conscious of the steady possibilities of economic growth, and what

[10] The review studies prepared for the United Nations Symposium on Population, Resources, and the Environment in Stockholm, 1973, indicate that the *physical* magnitudes of minerals, energy, water, and land *are* sufficient on a global scale to sustain current growth rates for the next two or so decades. And a detailed inventory of resource availability of the major mineral reserves provides "clear evidence . . . that the future will not be limited by sheer availability of important materials . . ." (For the UN studies, see Roger Revelle, "Will the Earth's Land and Water Resources Be Sufficient for Future Populations?" and D. B. Brooks and P. W. Andrews, "World Population and Mineral Resources: Counterintensive or Not?," UN Symposium on Population, Resources, and Environment, Stockholm, 1973. For the inventory of resource availability, see William D. Nordhaus, "Resources as a Constraint on Growth," *Proceedings of the American Economic Association*, Vol. 64, No. 2 (May 1974).

The real economic problem—and the drag on economic growth—will be the increase in the costs of extracting these minerals, or the payment of "monopoly" prices, such as the price of oil, to producer cartels. The rate of economic growth will depend largely on the rising costs of these primary products.

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had been largely an uncoordinated market process now became the object of concerted government policy. In one sense, economic growth, by holding out a promise of plenty for the citizenry, has been the "moral equivalent" of war that William James once sought. Previous wealth had been gained by plunder, annexation, expropriation; now societies were being mobilized for a concerted internal effort, rather than war against a neighboring state. While "economic growth" has never had the emotional power of nationalism or other ideological appeals that have been used to mobilize societies, it has become an important creed for Western industrial societies. If there is no commitment to economic growth, what can the Soviet Union, or Japan, or the United States hold out as a social goal for its people?

The second fact is that economic growth has been a "political solvent." While growth invariably raises expectations, the means for the financing of social welfare expenditures and defense, without reallocating income (always a politically difficult matter) or burdening the poor (which has become almost an equally difficult affair), has come essentially from economic growth. In a trillion-dollar economy, an increase in the economic growth rate of one per cent means a net addition of a hundred billion dollars by the end of a decade. And, as the Kennedy and Johnson administrations found out (until the Vietnam war expenditures began to escalate), the Congress was more willing to vote for the social welfare costs of the New Frontier or the Great Society so long as economic growth provided additional fiscal revenues, than to reform the tax structure or increase the weight of taxes in the society.

And yet, paradoxically—and this is the third point—economic growth may be the source of a distinctive "contradiction" of capitalism, a contradiction which may be the cause of its economic undoing. For economic growth has become inextricably linked with inflation, and it seems unlikely that any democratic political economy can abolish inflation without disastrous political consequences.

The inflation which has been plaguing the industrial economies for the past several years seems to be a compound of several convergent factors: a simultaneous increase in demand on a worldwide scale; shortages in primary commodities and raw materials (e.g., food); shortages in primary processing capacity (e.g., steel, paper); wage-cost inflation as a function of employment shifts from industrial to service sectors and the reduced productivity in services; and the inability of governments to reduce expenditures. Some of these, presumably, are temporary—so we are told about the shortages in primary commodities and primary processing capacity. Some of it

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is inherently structural; this is certainly the case with the differential productivity between the industrial and service sectors.

The inflationary spiral

But underneath all this is a basic change in the character of the society which makes it difficult for any polity to use the traditional modes of restraint or "discipline" (in the archaic use of the term) to hold down demand, to increase unemployment, or to reduce governmental expenditures. In the last two decades, economic growth has been tied to various social objectives, the chief of which has been full employment and a steady increase in consumption. In sum, the Keynesian Revolution—for this is the simplest, symbolic shorthand for the change—has meant a powerful and irreversible revolution in social expectations as well. Put simply, where workers once feared losing a job, which was the common experience of the Depression, they now expect a job and a rising standard of living. And no government can deny that expectation.

What this has meant, practically, is that governments necessarily will increase spending, and run larger budget deficits, if unemployment tends to rise; equally, governments are called upon to increase social expenditures, particularly in the areas of health, welfare, social services, and the like; trade unions, for both defensive reasons (when prices are rising) and for aggressive reasons (to share in economic growth) maintain steady pressure for wage increases. So a steady inflation—of the magnitude of four to five per cent a year—becomes an inevitable concomitant of economic growth; and this becomes the "price that the polity pays for social peace."

In addition, where such inflation conjoins with other structural or contingent elements to create an inflationary spiral—such as the double-digit inflation that many Western societies now face—then the "normal" economic tools available to governments become ineffective.

The "normal" responses are to reduce the money supply (but this creates liquidity crises and possible bankruptcies for firms and, more broadly, tends to hurt crucial sectors such as construction and home building, which are highly sensitive to interest rates); or to reduce heavily the level of government expenditures. But governments find it difficult to do either, for a major consequence of such deflation is a rise in unemployment—and to levels which are politically unacceptable. An alternative is to institute an "incomes policy" which seeks, by administrative fiat, to establish levels of equity in the polity—but

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without a heavy tax load on the wealthy, an incomes policy is unacceptable to unions. And, finally, one can seek strong wage and price controls, with consequent distortions of the economy and often, in the end, wholesale evasions. But the simple point is that no one wants to pay for the inflation, and modern democratic governments find it politically difficult to assess any particular group for the costs.

Economic growth thus involves a peculiar contradiction in capitalist democratic economies. In the Communist states such as the Soviet Union, economic growth has gone largely into expanding the heavy industry sectors, rather than consumption; workers' wages and demands are controlled; and inflation, which does exist, is disguised by the underemployment of labor or by chronic shortages.

Marx had argued that capitalism had to keep on expanding or it would collapse. For him the internal dynamism of the system was the competitive effort of capitalists to maintain a rate of surplus value by increasing the ratio of technology to labor. Capital accumulation thus was seen as the motor of the system. But the irony is that economic growth, which is the fruit of capital accumulation, has created a set of economic and cultural expectations which the system finds difficult to reduce, and which, when coupled with other erratic factors such as the wild, yet recurrent inflations that come from a spurting world economy, creates conditions of economic and political instability that governments increasingly find difficult to manage. And all of these lead to disorientations and insecurities which shake the faith of individuals in their societies.

The crises of belief

Crises of belief are recurrent in human history—which does not make them less significant, even if the topic risks becoming banal. In the Soviet Union today, where a messianic creed sought to embody itself in a people, the crisis of belief is threefold: Most persons no longer believe in the creed (would one dispute the end of ideology in the Soviet Union?); there is a loss of faith in the leaders (the denigration of Stalin and the admission of his crimes by his heirs effectively broke the feet of that idol); and few persons seem to believe in "the future"—it no longer works.

In the United States there has been a loss of nerve on the part of the Establishment; in fact, the chief characteristic of the Establishment is its eagerness to repudiate its own existence. There is a widespread questioning of the legitimacy of institutions, especially on the part of the young who would normally move into elite positions.

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In the population at large there is a loss of confidence about the future of the country.

The major consequence of this crisis—I leave aside its deeper cultural dilemmas—is the loss of *civitas*, that spontaneous willingness to obey the law, to respect the rights of others, to forego the temptations of private enrichment at the expense of the public weal. Instead, each man goes his own way, pursuing his private vices, which can be gained only at the expense of public benefits.

The foundation of any liberal society is the willingness of all groups to compromise private ends for the public interest. The loss of *civitas* means either that interests become so polarized, and passions so inflamed, that terrorism and group fighting ensue, and political *anomia* prevails, or that every public exchange becomes a cynical deal in which the most powerful segments benefit at the expense of the weak. Yet even where a sense of *civitas* remains, as in England, the ruts into the future may have been cut so deep, the constraints are so large, the freedom to maneuver and change so narrow, the institutions, particularly the economic ones, so encrusted, that no regime can substantially alter the slide, and a sense of weariness and despair takes over. These are the grays on gray, the crises of the political order, in the next 25 years.

In the Communist countries, the decline of faith makes the question of *civitas* more salient and, inevitably, *civitas* becomes identified with public liberties. For the Communist countries the problem is that there are no institutional outlets for dissent, no public debate, no accessible arena where "factions" (I use Madison's sense of the term, not Lenin's) can declare their interests. Yet a complex society inevitably multiplies constituencies and interests, and one has to provide some legitimate arena for the mediation of their claims. In the Soviet Union, in the next 25 years, the two major political problems may be the reassertion of demands by the nationalities for greater autonomy (and a sharing of power), and the broadening of the political system.

The anxieties of the middle classes

In the West, in the next decade, we will probably see the increasing frustration of the middle classes, small and large, with political effects difficult to detail. Higher-salaried workers are beginning to resent the narrowing of differentials in pay, as a result of egalitarian tendencies. (Was the strike of the Swedish higher civil servants a year ago the harbinger of more actions to come?) The rising cost of

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services means a curtailment of everyday amenities—mail delivery, garbage collection, and the like.[11] But these are petty frustrations as against the double impact of inflation and taxes. Increased income puts the middle-class person in a higher tax bracket where the new "bite" is more than proportional to the increase in income, so the erosion of his living standards becomes steeper. If the inflation is rapid, and the tax system unchanged, the spiral becomes a geometric progression. As the *London Economist* recently commented: "If you earn £10,000 a year, and if the present 19 per cent annual inflation rate and the 1974-75 tax rates continue, you will need £40,000 a year by 1978 merely to maintain your present living standards. You won't get it."

The irony of all this is that inflation becomes a "ready" means of financing new public expenditures, as larger proportions of individuals move automatically into higher tax brackets. And, as has been said, to an ever greater degree, the basic resources of the society will go into the purchase of "public goods." But as Anthony Downs has pointed out, it is often difficult to convince a public of the worthwhileness of such goods, since they are uniform and rarely adapted to individual taste; and as Mancur Olson has pointed out, since a collective good has to be available to all, many individuals hold back from paying for these in the hope of gaining a "free ride." But the main point is that the expansion of such goods and the increase in governmental costs and services have to come, in the end, from taxes. And for most persons, taxes are seen not as the necessary purchase of goods which the individual cannot purchase for himself, but as a reduction in personal income. Private consumption is a matter of individual choice, public consumption a matter of legislative fiat, and most persons regard the latter as an abridgement of their "freedom to spend."

The consequence is a sharp increase in political instability. In the next decade we may see the break-up of the party systems as we have known them in Western societies. There seems to be, especially among the middle classes, a revulsion against "politics," a mood which, in the past, has led to the weakening of strong party rule and the fragmentation of legislative bodies. What is striking in 1974 is that no party holds a majority in the legislatures of Norway,

[11] Herman Kahn has proposed a "law" that as the income per capita in any society approaches the $4,000 mark, the standard of living of the upper middle class falls: One cannot find porters at railroad stations (*pace* Tokyo Central Station); page boys to deliver books in a library (*pace* the New York Public Library); shoeshine boys in a shoe repair shop; or more than once-a-week garbage collection in Cambridge, Massachusetts.

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Sweden, Denmark, France, Germany, Holland, Belgium, Italy, and Great Britain.

In Denmark, Norway, and Sweden, which for 40 years gloried in the "middle way," there has been a sharp polarization of the electorate that is alarming to the established parties. In Denmark and Norway anti-tax parties have emerged in protest against high taxes, "indulgent" welfarism, the growth of governmental bureaucracy, aid to developing countries, and even high defense expenditures. Throwing the traditional conservatives into disarray, Mogens Glistrup's Progress Party came from nowhere in the 1973 Danish elections to form the second largest group in the Danish Parliament. And in Norway, a similar party, led by Anders Lange, achieved a striking electoral success. The reaction of the Social Democratic parties in these countries was to claim that these protests are "populist" in their aims and demagogic in their methods, appealing to people's worst instincts, and behaving in a truly un-Scandinavian manner!

In the United States, the political party is in a state of decay. Most party machines are weak in finances, personnel, and resources. Party identification has weakened. Forty per cent of the electorate designates itself as "independent." True, party systems are deeply embedded in the institutional life of Western societies: They are often legally reinforced, as is the two-party system by most U.S. state voting laws; and they have patronage and cadres. But it is also likely that one will see more "invasions" of the parties by extremist factions, as in the case of the McGovern "new left" in the Democratic Party, or the Young Socialists in the German SPD.

In all this, there is a double danger. Politics is always a compound of interests and symbolic expressions (ideologies or emotional attachments to individuals or institutions). One may forego interests yet still retain beliefs; or lose beliefs, yet have an interest stake in the society. But where trust in a society and its institutions is battered, and where interests fail to gain the recognition they feel entitled to, there is an explosive mixture ready to be set off.

II. The public philosophy

The centrality of the public household in a modern interdependent economy is inescapable. Moreover, as I have tried to show, the public household is not just "the government," or a public economic sector alongside the market economy and the domestic household; it is now prior to both and directive of each. Yet we do not have any

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theoretical underpinning for this state of affairs—a political economy of the public household that joins the economic and the political dimensions, or a political philosophy of the public household that provides decision rules for the normative resolution of conflicting claims and a philosophical justification of the outcomes.

The justifications of the liberal society were laid down by Locke, Adam Smith, and Kant. Central to Locke's thought is the doctrine of individual property. Property is the extension of one's own labor; it provides protection from exploitation by others, it is the corollary of the right of self-preservation. For Adam Smith, individual exchange, in which each man pursues his own self-interest, is the basis of freedom, self-satisfaction, mutual advantage, and, when rationally pursued through the division of labor, it is the basis of accumulation and wealth. For Kant, the character of public law is primarily *procedural* rather than substantive; its purpose is to define the rules of the game within which men can freely compete for what they want, rather than to prescribe specific outcomes.

The logic of all three arguments was, in the words of Adam Smith, "within the system of natural liberty" to limit the public household to three tasks: protecting the society from violence and invasion by other societies; providing internal security and the administration of justice; and "erecting and maintaining certain public works and certain public institutions, which it can never be for the interest of any individual, or small number of individuals, to erect and maintain, because the profit could never repay the expense to any individual or small number of individuals, though it may frequently do much more than repay it to a great society."

The "great society," a phrase which occurs thrice in *The Wealth of Nations,* in its context (which is established at the conclusion of Book V, chapter 1) means the "whole society." Yet more and more, since the initial prescriptions, the establishment of "public works and public institutions" has become a larger and larger task for the "great society," and today the balance has shifted drastically in that direction. But this new "collectivist" reality exists in a theoretical vacuum.

Socialism—I think primarily of the Marxist tradition—has never found it necessary to provide a normative justification of its philosophy even though it claims to be the doctrine of the public household *par excellence.* This is, in part, because it was conceived in an evolutionary frame, in which socialism has been seen as the "next," higher stage of consciousness or rationality; in part, because for Marx the precondition of socialism was *the abolition of economics itself.* The source of evil in the world for Marx is scarcity, for this gives rise

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to envy and competition, and the murderous pursuit of private advantage. Nature, in Marx's view (following Hegel), is necessity; economics is the labor necessary for wresting goods from nature. As man gains technical powers over matter, he moves out of nature into history; and the end of history, that final independence from nature, is freedom. When man does not have to labor, when there is abundance for all, the superstructure is, so to speak, cut loose, and man can move where he will, free of necessity and constraint. Under socialism, in effect, there are no problems of allocation.[12]

But the ineluctable fact about any society, as we now recognize, is that there is no escape from "economics." Men constantly redefine "needs" so that former "wants" become necessities. The constraints of resources are tangible, and while the amounts needed may not become physically exhausted, the costs of using these rise, and relative costs, not physical quantities, become the measures of scarcity. And it is against the recurrent restraint of "scarcity," rather than the release of abundance, that the modern public household has to provide a normative political philosophy for its two tasks: (1) the definition of the common good—the classical problem of the polis; and (2) the satisfaction of private rights and wants, claimed by individuals and groups.

Private wants and the public interest

The classic doctrine of the polis emphasized civic virtue, a chief element of which was moderation of needs and limitation of acquisition; liberty was a subordinate good. The philosophy of modernity emphasizes liberty—the pursuit of pleasure and happiness without limit; the "public interest" becomes a subordinate good. This feature of modernity was first recognized by Rousseau, and it is at the heart of his efforts to reformulate a philosophy for the public household. The problem, as Rousseau put it, was that in modern society man was both *bourgeois* and *citoyen*. As a citizen, he had public duties, but as a bourgeois, he pursued private interests, appetites, and passions. Rousseau sought to overcome this in *The Social Contract* —which is not prior to society, but arose after man came out of nature into society—by the denial of all private individual interest, by the erasure of all ego into the single moral personality which

[12] In a curious sense, this is the argument of Locke as well. Restrictions on acquisitiveness were required in the state of nature because the state of nature is a state of penury. They can safely be abandoned in civil society because civil society is a state of plenty. And this became the justification of "bourgeois" acquisitiveness, the expansion of "wants."

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was community (the general will), in which each person was equal in all respects. In contemporary life, this alternative is exemplified in Communist China and in its civil religion—which Rousseau also thought necessary as a binding belief—the deification of Mao's thought.

Modern Western society went in a different direction than Rousseau had sought: to the pursuit of individual, acquisitive interest in the *economy*, and the enhancement and enlargement of the self in the *culture*. The private economic interests were pursued in the market, often at the expense of the public household. The "making" of one's self meant the free choice of a personal life style from the repertoire of the world's cultures, the mingling of different artifacts (African masks, Japanese prints, Moorish costumes) as if these were independent modules of culture, free of the continuity of the past and its traditions. In both cases there was a search for the satisfaction of appetite, whose ends were unlimited.

Today—and this is the distinctive change in the idea of rights, particularly the right to happiness—the satisfaction of private wants and the redress of perceived inequities are not pursued, individually, through the market, but politically by the group, through the public household. Liberalism had justified the individual pursuit, free of the polis. Classical political theory, and its modern reformulation by Rousseau, sought to justify the primacy of the polis. The modern appetite wants to enhance some individuals, at the expense of others, and to aggrandize all, through the public household. But the difficulty is that the public household in the 20th century is not a community but an arena, in which there are no normative rules—other than bargaining—to define the common good and adjudicate the conflicting claims on the basis of rights. The question, then, is: What can be the political philosophy of the public household?

Any inquiry into philosophical rules has to begin with substantive issues, and for this we have to take up the claims—the issues of redress and justice—against existing distributions of privileges and rights, and adjudicate them. There are four issues I would single out as ones that have to be resolved:

1. What are the relevant units of the public household, and what are the balances of rights among these?

2. What are the tensions between liberty and equality as men seek to enhance one or the other of these somewhat incompatible values?

3. What is the balance between equity and efficiency in the competition between social claims and economic performance?

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4. What are the dimensions of the "public" and the "private" spheres, both in the economic pursuit of goods and in the realm of morals?

These four issues make up an agenda whose resolution would constitute a philosophy for the public household of a modern liberal society. I cannot make any claims of having resolved those problems. All I can do, in conclusion, is to try to sharpen the definition of these issues by seeking a principle of relevant differences.

The units of society

For Jeremy Bentham, "the community is a fictitious *body* composed of the individual persons who are considered as constituting as it were its *members*. The interest of the community then is what?—The sum of the interests of the several members who compose it."

But this nominalist utilitarianism neglects the reality of structures that necessarily stand outside single individuals. A university is a changing composition of persons, yet the entity has a symbolic meaning beyond the tenure of its particular members. And this is even more true of a *people,* whether a religious-cultural group like the Jews, or a national-cultural group like the Irish and a hundred others throughout the world. Without such corporate allegiance, non-rational at its core, a faith freely given or reaffirmed, the play of interests becomes a war of each individual against the other, a war sometimes violent, sometimes fought by other means.

Yet the claims of the community, when total, become a greater monstrosity, leading to a conformity of ideological beliefs or submission to a heavy-handed bureaucratic Moloch. The idea of individualism *is,* after all, a distinctive achievement of human consciousness.

The freedom to live as one prefers is supported by a number of philosophical and economic justifications. If this value is confirmed, it guards against the tyranny of the community (even if sanctioned by a majority vote). If the necessary institutional arrangements are observed, it divides political from social institutions, and prevents the fusion of political powers within any single body. If individual initiative is respected, it gives free play to entrepreneurs, economic and intellectual, to create those products and institutions (from automobiles to "free schools") which are responsive to those who want them and will pay for them, privately or through the public household. Yet it is that very individualism, so rampant in the United States, that has also led to the spoliation of the environment and has

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been at the root of the neglect of social services and other dimensions of community needs.

Continental liberal theory, from Montesquieu to Tocqueville to von Gierke, has recognized a different social unit—the *gemeinde*, the smaller communities that go back to the medieval social order: the corporation (such as a university or a religious congregation), the "guilds" of merchants and artisans, the professional associations (as we would now call them). These were self-ruling corporate bodies within the larger society which lived according to their own codes and were privileged in their powers. For someone like Durkheim, these professional bodies and occupational communities were viewed as the necessary anchorages for civic morals in the large-scale modern society, standing between the unchecked egoism of the individual and the enormous and threatening power of the state.

Whether such intermediate groups can serve this purpose today is moot; the groups have become rampant claimants in their own right. Yet what is clear in a modern plural society is that the existence of groups with defined claims is a sociological fact whose existence and legitimacy have to be taken into account. The extent and variety of such groups are astounding. They comprise functional economic groups (business, labor, farmers); symbolic status groups (religious, national, racial); socially disadvantaged groups (poor, aged, handicapped); culturally expressive groups (women, youth, homosexuals); civic purpose groups (civil rights organizations, consumer and environmentalist groups); economic special purpose groups (taxpayers associations, veterans lobbies); cultural special purpose groups (universities, scientific and professional associations, arts associations); functional political associations (conferences of states, or city or municipal organizations); and 57 other varieties.

Because of the multiplicity of such groups, it is doubtful that a single issue today could polarize an entire society. The peculiar strength of a modern democratic polity is that it can *include* so many interests. True, the very increase in their number, and their concentration in the political arena, lead to an overload, a fragmentation, and often a politics of stalemate. Yet the nature and character of the diverse group interests cannot be denied, for that is the character of a contemporary democratic polity.

Where, then, does that leave us in seeking a normative philosophy of the public household? The answer, difficult as it is to spell out in detail, is that there cannot be *one* overriding interest whose claims take precedence at all times—neither the individual, his property, or his rights; nor the state, with its claim to direct and control economic

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and social activity or regulate morals or private conduct; nor the plural groups with their claims for redress and protection. Rather, we have to consider those rules, rights, and situations which apply to *all* persons irrespective of any differences, and also those rules, rights, and claims where there are *relevant* differences (in need, in grounds for redress, in burdens to be borne) between groups, and to allocate accordingly. The distinction cannot be applied in any formal fashion; it can only be made meaningful in practice.

Liberty and equality

In a thoughtful essay on egalitarianism in *Dissent* (Fall 1973), Michael Walzer concludes that "liberty *and* equality are the two chief virtues of social institutions, and they stand best when they stand together." Yet the liberal tradition beginning with Kant, and the most thoughtful critics of mass society in the 19th century (Tocqueville and Burckhardt), posed the issue as liberty *versus* equality. And I think that, in the form the debate has been taking in recent years, the problem is the contrast and not the conjunction.

Classic liberalism defined equality only as equality before the law. The definition rests on an older distinction, going back to the Greeks, between the rule of law and the rule of men. Liberalism insists that, since men differ in their capacities, needs, aptitudes and talents, one has to distinguish between *treating people equally* and *making them equal.* The effort to make people equal must lead to some determination by an administrative body of the degree of differences and the degree of redress. It therefore means treating people *unequally.* The logic is inescapable.

Now, for a variety of reasons one may have to treat people unequally. The most important, perhaps, is that any single value, whether it be freedom *or* justice, when taken as absolute and overriding, and applied in an exacting way, can lead to excess. No single value can satisfy what are inherently incompatible objectives, even when most men desire the incompatible. So one has to be clear as to what one is foregoing, in the effort to resolve the incompatibilities. In his *Four Essays on Liberty,* Isaiah Berlin has summed this up brilliantly:

> . . . nothing is gained by a confusion of terms. To avoid glaring inequality or widespread misery I am ready to sacrifice some, or all, of my freedom: I may do so willingly and freely: but it is freedom that I am giving up for the sake of justice or equality or the love of my fellow men. I should be guilt-stricken, and rightly so, if I were not, in some

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> circumstances, ready to make this sacrifice. But a sacrifice is not an increase in what is being sacrificed, namely freedom, however great the moral need or the compensation for it. Everything is what it is: liberty is liberty, not equality or fairness or justice or culture, or human happiness or a quiet conscience. If the liberty of myself or my class or nation depends on the misery of a number of other human beings, the system which promotes this is unjust and immoral. But if I curtail or lose my freedom, in order to lessen the shame of such inequality, and do not thereby materially increase the individual liberty of others, an absolute loss of liberty occurs. This may be compensated for by a gain in justice or in happiness or in peace, but the loss remains, and it is a confusion of values to say that although my "liberal" individual freedom may go by the board, some other kind of freedom—"social" or "economic"—is increased. Yet it remains true that the freedom of some must at times be curtailed to secure the freedom of others. Upon what principle should this be done? If freedom is a sacred, untouchable value, there can be no such principle. One or the other of these conflicting rules or principles must, at any rate in practice, yield: not always for reasons which can be clearly stated, let alone generalized into rules or universal maxims. Still a practical compromise has to be found.

How do we determine what to forego? We return to the principle of relevant differences in regard to equality. Let us take the problem of crime and taxes. Two men both commit the same crime. Under the law, each is treated equally even though each may be able to bear the punishment differently (each is fined $100 for speeding, yet one is a millionaire, the other a pauper; or both men may lose their driving licenses, but one can engage a chauffeur, the other cannot). Yet in the cases of taxes, not only do two men of unequal income *not* pay the same amount in taxes, or even the same proportion of income, but the wealthier pays a progressively rising tax as his income goes up. Yet we recognize the actions in both instances as just.

Where individuals are to be deprived of liberty, or punished for committing a crime, we tend to reduce the administrative discretion in order to avoid favoritism or abuse of power. (And when discretion is used, such as in giving leniency to a young offender, it has to be justified). The bias is in favor of *equal treatment*. Yet in the instances of taxes, of obligations to support the financial burdens of a society, we recognize that those most able to bear the burdens shall do so. Then, individuals are treated unequally (in the formal sense) and we recognize that it is right to use such methods *to tend* to *make* persons more equal. Yet there is no overriding principle of equality, in one or another of these forms (arithmetic equality or proportionate equality), that holds under *all* circumstances.

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In this respect, the classic liberal and the classic socialist tradition are one. Equality in the socialist tradition was never "levelling," in the sense of aiming at the attainment of equality under all conditions and in all respects. This is what Marx once contemptuously called "raw communism," and viewed as the lowest stage of human society. What Marx wanted was the abolition of *class privileges* and *class distinctions,* i.e., socially imposed and socially enforced *arbitrary* distinctions between persons. And when these would be removed, the natural differences would remain. Yet if one man had more than another, so be it, as long as these differences were *earned,* and rewards were gained according to work. This was Marx's meaning of socialism.[13]

The question of equality has become a central issue for the public household. Yet rarely is it clear what the disputes are about—how much equality, in what areas, etc. There are, logically speaking, three dimensions of equality: *equality of conditions, equality of means,* and *equality of outcomes.*

The equality of conditions, by and large, refers to the equalities of public liberties. This includes equality before the law, equality of movement in public places, the principle of one man one vote—the cluster of liberties which we call political and civil rights. The guiding principle here, indisputably, is equal treatment by a common standard. Where individuals, in these instances, are unequal because of public discrimination, we try to *make* them equal, so that they can be treated equally. We do so in order that each person can fully exercise his rights as a citizen of the polity.

Equality of means has meant, both in the liberal and socialist tradition, equality of opportunity—equality of access to the means of securing the unequal outcomes. This has signified, historically, the elimination of public positions reserved on some ascriptive basis (e.g., officer's positions in the army for sons of the aristocracy, inherited trades through guild restrictions, and the like), and in its place free access in and out of the economic marketplace and equal access to education, where education is the means of acquiring competences necessary for higher positions.

Equality of opportunity has been the overriding definition of

[13] The references to "raw communism" are in the *Economic-Philosophical Manuscripts.* The discussion of equality and natural differences is in the *Critique of the Gotha Programme,* where Marx writes: ". . . *equal* right . . . recognizes no class differences, because everyone is also a worker like everyone else, but it tacitly recognizes unequal individual endowments and thus productive capacity as natural privileges. *It is, therefore, a right of inequality, in its content, like every right.*" Under "true communism," of course, all such problems would disappear.

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equality in the liberal societies of the West, i.e., those which have established individual social and geographical *mobility* as a value. By and large, this principle has been unchallenged. Where it has been seen that equality of opportunity is a *formal* fact, but where certain groups have been historically disadvantaged and in poor position to compete "fairly" for position, there have been good grounds for compensatory action to redress these inequalities. Yet the principle remains: Individuals are to be treated equally in their efforts to achieve what they can through their "natural" abilities and individual efforts.

The outcomes of the competition between individuals are disparate degrees of status, income, and authority.[14] These disparate outcomes have been justified on the ground that they have been freely gained and have been earned by effort. This is the basis of the idea of a "just meritocracy" and, historically, the striving for the realization of both liberty *and* equality. But in recent years there has been an outcry that the disparate outcomes are too large and "unequal"; and that public policy ought to seek for greater equality of outcomes—in short, to *make* persons more equal in income, status, or authority. Yet such efforts can be achieved only by restricting other individuals either in access to position or in the disposition of their achieved outcomes (e.g., the use of their wealth to gain other privileges). In short, the effort to reduce disparities of outcomes means that the liberty of *some* is qualified or sacrificed in order to make *others* more equal to them.

The principle of relevant differences

Now it would be foolish to argue that no value can ever be qualified. Nor would I say, of course, that today most of the disparate outcomes of status, income, and authority are justly earned. But what we are arguing is a normative principle—what should be the just rules of a public household. And the difficulty with the current argument for greater equality of outcomes is that such equality can be achieved only by administrative determination, by the enhancement of bureaucratic power in society. In its own simple, overriding

[14] Let me emphasize here that I define the outcomes as income, status, and *authority;* and thus I distinguish normatively between *authority* and *power.* Authority is a competence based upon skill, learning, etc., and is a functional component of an institutional position. Power is the ability to command, which is backed up, either explicitly or implicitly, by force. In a society, power can legitimately be exercised by *government* to maintain security and order; but *within* a society, one seeks to reduce power (coercion) and expand authority. When people lack authority, especially for redress, they seek to invoke power.

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claim to make all men equal, it ignores the principle of relevant differences.

Let me illustrate the difficulties by a brief discussion of one current issue, as it relates to status. I refer to the question of quotas.

In the demand for greater equality of outcomes, some egalitarians have argued for quotas for minority students for admissions *to* universities and professional schools, and for quotas, for women and for blacks, *in* professional positions in universities, hospitals, governmental agencies, and the like. But in the course of making this argument, they tend to overlook the relevant distinctions that are necessary.

In admissions, colleges often have used other criteria than grades. In Ivy League schools children of alumni are given preference to maintain tradition; geographical quotas are established to insure diversity; talented athletes are given special scholarships in order to fill the needs in competitive sports. Yet two things are apparent: These modifications are within *some* range of grades (i.e., not everyone is admitted, and academic achievement, even if stretched, is still a controlling principle); and, as one proceeds into graduate and professional schools, these extraneous criteria are narrowed and the focus is largely on academic achievement. One further consideration need be noted. Admission *to* school is an entry point into the system, yet by itself it does not guarantee the outcome. To that extent, it is still within the purview of equality of opportunity. So, when for valid social reasons, one wants to expand the number, say, of black doctors or black lawyers, there is a case, within limits, for giving preference to minority students in *admission* to schools. (The greater difficulty comes as one proceeds: Does one bend the standards all along the way? In Pennsylvania, a disproportionate number of black students failed the state bar examination; in consequence there was some demand for a special examination for blacks.) But in the appointment of individuals *to* professional positions, none of the modifications can hold. A professor or a doctor or an administrator is tested by the competence appropriate to the position, and the idea of "proportional representation" has little meaning. The criterion, necessarily, has to be competence, not representation, if the sense of appropriateness is to be maintained.[15] If discrimination (sexual or

[15] Aristotle in the *Politics* makes an interesting observation: "Civil discord arises not only from inequality of property, but also from inequality of the offices which men hold. But here we must note a difference. The distribution of property works in the opposite way from the distribution of office. The masses become revolutionary when the distribution of property is *unequal*. Men of education become revolutionary when the distribution of office is *equal*."

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class) is arbitrary, so is the demand for equality of status on the basis of sex or class, and both have to be rejected.

If this principle of relevant differences is observed, we have some basis for dealing with the question of equality. We know that even when arbitrary differences such as class or sexual privileges are eliminated, there will be differences in income, status, and authority between persons, differences arising out of talent, motivation, efforts, and achievements. And individuals will want to enjoy the rewards and powers of those achievements. "The question of justice arises [I wrote in my earlier essay on "Meritocracy and Equality"] when those on top can convert their authority positions into large, discrepant, material and social advantages over others." In an area such as health care, we can say, quite rightly, that access to services should not be determined on the basis of differential income. It is appropriate to our sense of individual worth that all persons should have adequate care, despite income or status. For this reason I would share Michael Walzer's argument that a relevant principle is "*the abolition of the power of money outside its sphere* . . . a society in which wealth is no longer convertible into social goods with which it has no intrinsic connection."

Since money, and to a different extent power, are easily convertible, i.e., they can command privileges (such as better health care) quite readily, Walzer assumes that it would be difficult to prevent that undue exercise of influence without a "radical redistribution of wealth." My own sense is that a "radical redistribution" is the most politically difficult task of all and that the objectives we mutually desire might be achieved by selective taxes on consumption and by upgrading those necessary social services which are appropriate to all.

If our criterion, then, is the reduction of undue and illegitimate influence in the command of resources, the relevant principle of liberty and justice would be: to each according to his earned effort; to each according to the powers and privileges appropriate to each sphere.

Equity and efficiency

The issue of equality and liberty is the question of the disparities *between persons* and the role of government in reducing these disparities or in containing their undue influence. The questions of equity and efficiency are the problems of balance between the "economizing mode" of the society—the doctrine of productivity or the effort to achieve increased output at lesser cost—and the social

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criteria of non-economic values. In another sense, it is also the question of the balance between present and future: How much does the present generation have to forego (in consumption) to assure a higher rate of capital stock for future generations? And, conversely, how much can the present generation use up of exhaustible resources at the expense of the next generations?

The economizing mode—the exact calculation of monetary costs and returns—has been an efficient organizer of production, but at the expense of two large social costs: the treating of men as "things" within the sphere of production, and the using of the environment as a "free good," and therefore recklessly. To this extent, the balance today has begun to shift, slowly, away from the economizing mode. The satisfaction of men in work—where they spend most of their time and seek to fulfill their capacities—becomes a valid claim on the enterprise, even when this may be at the expense of efficiency. And the environment is no longer a free good in that producers and users are now "taxed" and forced to clean up the pollution they have engendered, even at the expense of capital assets which are "non-productive."

The claims of equity are now being given priority over those of efficiency—if not in the society as a whole, then in the convictions of the intellectual community. And the thoughts of the present generation of "academic scribblers" will influence social and economic policy tomorrow.

Is there a general rule for equity? Economists usually have held to some version of Pareto-optimality: the distributional principle that as some persons become better off, no one should become worse off. Most recently, John Rawls has proposed a "maximin criterion," which he offers in place of the principles of utility (or the maximization of preferences).[16] It is this principle which, today, is receiving the greatest amount of scrutiny among both philosophers and social scientists.

The maximin principle assures that all persons would receive a minimal share. Individuals would freely choose this arrangement,

[16] The discussion of the maximin criterion is elaborated in an article by Rawls, "Some Reasons for the Maximum Criterion," *Proceedings of the American Economics Association* (May 1974), pp. 141-146. Rawls begins with the assumption that "injustice exists because basic agreements are made too late." Since individuals know their social positions and their relative strengths, bargaining in the social system becomes distorted. But what if they were back in the "state of nature," behind a "veil of ignorance," knowing nothing about each other (whether my neighbor was weaker or stronger than myself, more talented or less talented, etc.)? What common rules would we establish in order to assure that everyone would be at least somewhat well off, consonant with the other?

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Rawls believes, because they would want to minimize the risk of losing out altogether; so they would opt for a "maximum" consonant with that "minimal" risk. Thus Rawls arrives at his "difference principle," based on a maximin criterion. As he puts it:

> Social and economic inequalities are to meet two conditions: they must be (a) to the greatest expected benefit of the least advantaged members of society [the maximin equity criterion] and (b) attached to offices and positions open to all under conditions of fair equality of opportunity.

Since this would have been the "original" principle of justice, freely accepted in the state of nature, it can now be used as a principle of *redress* in social policy.

There have been a number of criticisms of the maximin criterion. It assumes that individuals are "risk averse" and would want to minimize their chances of loss. This might be true of one's life, yet much less so in the question of goods; many individuals might risk the loss of a bicycle in order to have a chance for an auto, even if the outcome might mean they would have to walk. The notion of "benefits" is ambiguous. It is accepted that we cannot compare interpersonal utilities, so that we would need some objectively measurable index, such as income or wealth; but many social benefits involve complex trade-offs which defy measurement. And most ambiguous is the definition of "least advantaged." If income is used as the criterion, does that mean everybody earning less than the median income (i.e., the lower *half* of persons in the country) is disadvantaged? Or is it the lower fifth, or the lower tenth; and on what basis? And if some other criterion (the destitute, the unskilled, those from broken homes), what would it be?

The crux of the problem, however, is not the *degree* of redistribution—let us say of income and wealth, for these are the most important and easily measurable items—*but the balance between redistribution and growth.* The distribution of income influences the rate of growth of an economy, as the rate of growth influences distribution. Any large-scale redistribution of income, inevitably, increases the slope of consumption at the expense of investment. Yet the maximin principle, Rawls admits, "is unsuitable for determining the just rate of savings; it is intended to hold only within generations."

But that is exactly the prior question. What is the proper rate of economic growth for a society? How is this growth to be financed? How are the fruits to be distributed? Rawls' maximin criterion is a principle for "the stationary state." Yet it is not clear that the society

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—American, Russian, or any contemporary society—would vote for the stationary state.[17]

The public and the private

The liberal theory of law, as codified by Kant, has two postulates: that law is to be formal (i.e., procedural), not substantive; and that law is separate from morality.

The view of law as primarily procedural derived from the emergence of bourgeois society as a separate sphere in which the satisfaction of individual wants, not the state's wealth, is the goal of economic activity. It posits a basic equality between the competitors, and rules out interference because it would upset that equality; where there are restrictions on liberty and property, these have to be general and calculable. The basis of law is formal rationality.

The distinction between law and morality comes from two sources. One is the philosophical view of man's will as *autonomous,* as self-determining, not as *heteronomous*, or derived from external sources such as nature or custom. As Kant said, "No man may compel me to be happy in his way." The second is the historical experience of the wars of religion in the 17th century, which led to the resolution that no group could impose its own private beliefs through the secular arm of the state. One could prosecute crime, but not sin; one could enforce rights, but not righteousness.

In effect, the liberal theory *accepts* the distinction between the public citizen and the private individual which had so bothered Rousseau, and reinforces it. It does not want the individual to be swallowed into the general will or the state; nor does it want to dissolve the state into the atomistic world of private interests. It seeks to maintain, difficult as that may be, a separation of relevant spheres.

In every society, principles are bent for the sake of interests, and the liberal view has been so bent. In the United States, at the turn of the century, the theme of individual freedom was the basis on which the Supreme Court struck down state statutes limiting the hours of work in hazardous occupations (e.g., *Lochner v. New York,* 1905) on the ground that these were "mere meddlesome interferences

[17] The primary problems, as I indicated earlier, are the normative and technical questions of how much of exhaustible resources are to be allocated between present and future generations. For some probing examinations of these questions see Robert M. Solow, "The Economics of Resources or the Resources of Economics," *Proceedings of the American Economics Association,* Vol. 64, 2 (May 1974), and "What We Owe to the Future," *Nebraska Journal of Economics and Business,* Vol. 13, 1 (Winter 1974).

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with the rights of the individual . . . [of a] grown and intelligent man. . . . They are in no sense wards of the State." At the same time, there was considerable regulation of morals, from Sunday blue laws to the later prohibition of liquor. The conservatives wanted economic freedom and moral regulation.

Today there is an odd crossover. Contemporary liberals want *economic regulation* and *moral liberty*. They want active state intervention in economic affairs, yet decry any interference with individual morals under the banner of privacy.

Are there any general rules that apply, or is each social group merely to press for its own interest?

In the 1930's, in the great flush of the vogue for planning, it was argued that the government ought to nationalize all industries in order to assure "production for use rather than production for profit." Lewis Mumford (in his *Technics and Civilization*) proposed that "a normal standard of consumption" be defined by biologists, moralists, and men of cultured taste, that the goods be "standardized, weighed, and measured," and be supplied to all members of the community; he called this "basic communism." We are far from such simplicities. The performance of nationalized industries in almost every country has not been demonstrably better than that of private or mixed enterprises; as Michael Polanyi once observed, the workers in England no more feel that they own the British Railways than that they own the British Navy. And as Walter Lippmann observed in the 1930's, "the difficulty of planning production to satisfy many choices is the rock on which the whole conception founders." If there are significant variations in desires, tastes, and choices, only the market is sufficiently flexible to respond to these differences. This, however, does not negate the contention that there needs to be *some* social-decision mechanism to provide adequate social services for all and to set a social minimum that gives persons sufficient goods to assure a sense of self-dignity.

If there is a new emphasis today, it is a retreat from the older visions of centralized public ownership, with its bureaucratic overload that early proponents had rarely taken into account. It is an emphasis, as Alice Rivlin has put it, not on *public provision*, but on *public financing* of care. The government's primary role, in the older conception, was to provide "public goods"—housing, hospitals, and other services. Now it is to set standards and provide resources, and the recipients can buy their own housing and pay for their own health care.

What some liberals and some New Leftists have rediscovered are

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the virtues of decentralization and competition. Without competition, one is left at the mercy of the indifferent private monoply or the slovenly bureaucratic agency. Without the separation of powers, one is left, in the case of employment, at the mercy of the single power, whether private corporation or state. Yet without public mechanisms for the transfer of payments and the setting of standards one cannot have effective power for the achievement of social ends. What is needed is a balance of the private and public spheres which enhances liberty and equity.

What of morality? Are there to be no legal restraints? Is everything to be permitted—obscenity, pornography, incest? In his essay *On Liberty*, John Stuart Mill remarked that there was a propensity to "extend the bounds of what may be called moral police until it encroaches on the most unquestionably legitimate liberty of the individual." And it was this "moral police" that had to be resisted at all costs. Yet the great historic religions of the West share a common judgment of the nature of man: When there is lack of restraint, when mere experience is the touchstone of what should be permitted, the impulse to explore all leads to debauchery, lust, the degradation of other persons, and murder. The lesson they all have drawn is that a community has to have a sense of what is *shameful*, lest the community itself lose all sense of moral norms.

What is shameful? An exact line is impossible to draw. For some it is nudity, for others homosexuality, for others pornography. And even the notion of "community standards" is often of little help, since the community itself is often divided. But what *can* be defined is a different distinction of *public* and *private*, and a wall can be set up between them: Thus there may be a prohibition of public display of pornography, obscenity, and those elements of prurience which degrade the human personality; but behind the wall, what consenting parties do is their own business.

Where does this leave us? With public virtue, and private vices. A tribute—in the different senses of that word—hypocrisy pays to the double nature of man. A difficult formula, but perhaps the only one which limits the "moral police" of the Mrs. Grundys and the "love's body" of a Norman O. Brown.

What these four arguments add up to, in their socio-philosophical consequences, is to reject bourgeois hedonism, with its utilitarian emphasis on private appetite, yet retain political liberalism, with its concern for individual differences and liberty. And the arbiter of both cannot be the market—which has to be seen as a mechanism, not a principle of nature—but the public household.

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III. A reaffirmation of liberalism

The centrality of the public household does not mean, necessarily, the expansion of the governmental economy or the administrative sector. It is, to go back to Aristotle, "a concern more with the good condition of human beings than with the good condition of property." It is the reinstatement of social purposes as the prior condition which public policy has to seek. It is the centrality of conscious decisions, publicly debated and philosophically justified, in the shaping of directions for the society. Where bourgeois society separated the economy from the polity, the public household rejoins the two, not for the fusion of powers, but for the necessary coordination of effects. It requires a new "socio-economic" bill of rights which redefines for our times the social needs that the polity must try to satisfy. It establishes the public budget—how much do we want to spend, and for whom—as the mechanism by means of which the society attempts to implement its concern for "the good condition of human beings."

But there is, too, a qualification, for there is not a single right that takes "just precedence" over any other. The common thread of classical, Catholic, and Communist doctrine is to fuse law and morality, to insist that there is a single overriding principle (though each disagrees sharply as to what this is) to which all persons, as members of the community, must subscribe. And traditional Catholicism and contemporary Communism, since they claim the possession of truth, define all outside the faith as being victims of error and heresy who must be combated.

Liberalism rejects this doctrine because it emphasizes not the common aspects of men, but their diversity as individuals and as groups. In a homogeneous society, one might insist on the obligation to respect the common beliefs, but in a plural society, composed of diverse groups and separate creeds, the imposition of one set of beliefs as articles of truth becomes intolerable. As Isaiah Berlin has remarked:

> The notion that there must exist final objective answers to normative questions, that truth can be demonstrated or directly intuited, that it is in principle possible to discover a harmonious pattern in which all values are reconciled, and that it is towards this unique goal that we must make; that we can uncover some central principle that shapes this vision, a principle which, once found, will govern our lives—this ancient and almost universal belief, on which so much traditional thought and action and philosophical doctrine rests, seems to me invalid, and at times to have led (and still to lead) to absurdities in theory and barbarous consequences in practice.

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Liberalism accepts the tension of the public and the private, the dual roles of person and citizen (individual and group). The questions are how to find common purposes, yet retain individual means of fulfilling them; how to define individual (and group) needs and find common means of meeting these. Can this be accomplished in a society where "interest" alone rules?

"The public philosophy," Walter Lippmann has written, "is addressed to the government of our appetites and passions by the reasons of a second, civilized, and therefore acquired nature. Therefore the public philosophy cannot be popular. For it aims to resist and to regulate those very desires and opinions which are most popular."

In the classical view, a public philosophy could only be achieved in a republic of small size since, as Montesquieu said, "in a small republic, the public good is more strongly felt, better known, and closer to each citizen." Or, in the view of some pessimists today, the prodigalities of appetite (resources and population) can only be controlled by the iron hand of some centralized regime.

Yet, among the Founding Fathers, where the first issue was debated, Madison wrote the sophisticated rebuttal to the classical view, by turning it completely around. A supreme danger in any democracy, Madison agreed, is the possibility that "a passionate majority" might "sacrifice to its ruling passion or interest both the public good and the rights of other citizens. To secure both the public good and private rights against the dangers of such a faction, and at the same time to preserve the spirit and form of popular government, is then the great object to which our inquiries are directed." Whereas a small direct democracy along classical lines "can admit of no cure for the mischiefs of faction, a representative republic opens a different prospect and promises the cure for which we are seeking." The greater the size, the greater the "variety of parties and interests," and hence the smaller the probability "that a majority of the whole will have a common motive to invade the rights of other citizens; or if such a common motive exists, it will be more difficult for all who feel it to discover their own strengths, and to act in unison with each other. . . ."[18]

There were—and are—two corollaries to that proposition. First, that all interests are to be included; and second, that all issues should be negotiated. Yet amidst such diversity, negotiation alone may not suffice, and the multiplicity of interest can lead to frag-

[18] These questions are cogently explored in the book *Size and Democracy*, by Robert A. Dahl and Edward R. Tufte (Stanford, 1973), from which these quotations are taken.

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mentation. Out of the living experience of creating a representative, national republic, the country also forged a second instrument, a Supreme Court which would be the repository of legitimacy and whose verdicts would seek to redefine the common rules and equitable distributions of a heterogeneous society. And the U.S. Supreme Court is unique in the acceptance by the entire polity of its role as the normative arbiter.

In the liberal philosophy which framed the republic, private property was conceived of as an "absolute right," the third, along with the security of the person and the liberty of the individual, which was necessary to a civil society. And yet, over the last century, the Court has redefined that right by pointing out that the *uses* of property are not absolute, since grave dangers to neighbors and society can result from reckless use, and that, while there are legal rights to its use and enjoyment, there are no absolute rights that contravene common social purposes. Again, neither in the original Constitution nor in the Bill of Rights does the word "equality" appear. It only emerged in the Fourteenth Amendment in stipulating "the equal protection of the law," and in the Fifteenth Amendment where it is tied to race, color, and previous servitude. Yet equality today has become a central issue of the public philosophy.

The social compact

The mechanisms of compromise and redefinition thus still exist. The question is whether there is a common will. Here, too, there is a prior condition—the need for some transcendent tie to bind individuals sufficiently for them to make the necessary sacrifices of self-interest, when necessary.

Historically, what has united a people has been a ruler, a doctrine, or a destiny—and, in the great periods of a people or a nation, a fusion of the three. In the United States, what gave purpose to the republic at its founding was a sense of destiny—the idea, expressed by Jefferson, that on this virgin continent, God's design would be unfolded. On a virgin continent, men could be free, prodigally so, to pursue their individual ends and celebrate their achievements. The doctrine was shaped by a Protestantism which emphasized sobriety and work, which resisted the temptations of the flesh. By and large, the belief in the "great man" was more muted in the United States than in other societies, though it is striking that, in fact, the largest number of Presidents in American history have been generals who have distinguished themselves in war.

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In the heyday of the imperial republic, the quiet sense of destiny and the harsh creed of personal conduct were replaced by a virulent "Americanism," a manifest destiny that took us overseas, and a materialist hedonism which provided the incentives to work. Today that manifest destiny is shattered, the Americanism has worn thin, and only the hedonism remains. It is a poor recipe for national unity and purpose.

Yet in trial and defeat—and there has been defeat—a virtue emerges: the possibility of a self-conscious maturity that dispenses with charismatic leaders, ideological doctrines, and manifest destinies, and which seeks to redefine one's self and one's liberal society on the only basis on which it can survive. This basis must be created by conjoining three actions: re-affirmation of one's past, for only if one knows of the inheritance from the past can one become aware of the obligation to one's posterity; recognition of the limits of resources and the priority of needs, individual and social, over unlimited appetites and wants; and agreement upon a conception of equity which gives all persons a sense of fairness and inclusion in the society, and promotes a situation where, within the relevant spheres, people become more equal so that they can be treated equally. This would be a kind of social compact, but a social compact that, though renegotiated in the renewable present, does not, cannot, ignore the past. It was the hubris of classical liberalism, and of socialist utopianism as well, that in each new generation, in a new social contract, men could ever start afresh, discard the past, and redesign institutions anew. Within limits, men can remake themselves and society—but the knowledge of power must coexist with the knowledge of its limits. This is, after all, the oldest and most enduring truth about the human condition—if it is to be human.

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Can Open Enrollment work?

JOHN MCADAMS

SINCE the mid-1960's, public discussion over racial integration in our public schools has increasingly become a debate over the costs, benefits, and justice of mandatory school busing. That this should be so is not surprising. During this time it became apparent that the mere removal of legal barriers to racial integration in the schools had not produced the heterogeneity of school populations—especially in big cities—that integrationists had hoped for. And it became apparent as well that people were not about to move voluntarily from one neighborhood or community to another in a way that would make such heterogeneity more likely.

At the same time, it became accepted that other kinds of voluntary programs to increase racial balance in the schools could have no significant effect on the situation. The most important of these programs have been Open Enrollment plans. Under such plans, no student is forced to transfer from his neighborhood or local school to another, but individual students are given the opportunity to make such transfers—within and sometimes beyond their school district lines—if they themselves wish to do so. Social scientists studying school desegregation are nearly unanimous in their verdict that Open Enrollment does not work. "The literature, in general,"

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says one summary of published work, "has little good to say about Open Enrollment." Another recent article, in the *Harvard Educational Review*, claims that the scheme "has never accounted for a significant amount of desegregation." And a popularly oriented pamphlet published by the U.S. Civil Rights Commission, titled "Schools Can Be Desegregated," fails even to mention Open Enrollment as a significant strategy. In short, it has come to appear that integration will stand or fall on the basis of public choices rather than private ones, of mandated rather than voluntary actions.

On the one hand, this identification of integration with government-ordered action has made government, especially the courts, extraordinarily willing to intervene in the educational affairs of local communities and to disregard a great deal of private feeling in doing so. Large cities in the North—as is already true of most large cities in the South—are coming under court orders requiring them to develop a pattern of racial distribution in the schools which approximates the distribution of children by race in a school district, and which in any case provides for as many black children as possible within a school whose majority of children is white. San Francisco has operated under such an order for several years; Boston begins to operate under a similar order in September 1974; Denver, Indianapolis, and Detroit are also under court orders to develop such plans. And conversely, when the government declines to force a greater degree of integration upon a local area, as the Supreme Court recently declined to do in the case of Detroit and its suburbs, the action is seen as a fatal blow to integrationist hopes.

Yet it is not so clear that this identification of the future of integration with some form of governmental coercion need be so complete. In particular, the gloomy verdict on Open Enrollment and its success in achieving voluntary desegregation seems to have been based either on an almost total absence of concrete data on the communities where the experiment has been tried or on a misreading of these data. In light of both the heavy costs that mandatory busing visits on communities and the recent barrier the Supreme Court has put in the way of still further integration by this means, the time seems ripe for a more systematic examination of the facts; and the facts on Open Enrollment are not so discouraging as many suppose.

The lessons of the South

If the going opinion of Open Enrollment is so low, it is not hard to understand why. The plan is similar in form to the Freedom of

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Choice plans that many Southern school districts hit upon when they were forced by the courts to abandon their dual school systems based on *de jure* segregation; and the record of the Freedom of Choice plans in fostering desegregation was indeed poor. In 1967, the Civil Rights Commission reported on the progress of integration in 63 districts that its staff had visited. In 53 of these districts, data were available on the existing amount of desegregation; and of these 53 districts, 17 had less than one per cent of their black students attending formerly all-white schools. In 26 districts the figures ranged from one to five per cent, in eight they were from five to 10 per cent, and only two had an integration rate above 10 per cent.

These data might seem suspect, since the report stated that the Commission staff had visited precisely those districts where resistance to desegregation had been greatest. But more systematic data are available to confirm the low figures. In *Alexander v. Holmes County Board of Education*, the desegregation cases of 30 Mississippi school districts were tried; the average amount of integration that these districts had achieved under Freedom of Choice plans was four per cent. An equivalent case in Alabama, *Lee v. Macon County Board of Education*, showed nine per cent to be the average integration achieved under Freedom of Choice.

A record like this one seems to justify fully the suspicion with which many people view Open Enrollment plans, a suspicion that emerges frequently in discussions of school desegregation. For example, Rockford, Illinois, is now in the midst of a desegregation controversy; one of the products of that controversy has been a leaflet by the Rockford Human Relations Commission entitled "Questions and Answers About Desegregation." The booklet deals with Open Enrollment in this way:

> Q. Why can't we desegregate our schools by having open enrollment?
>
> A. Open enrollment, or allowing parents to send their children to any school of their choice, used alone, has always failed to accomplish desegregation. The Supreme Court ruled in 1968 that such freedom of choice, when it produces continued segregation, is no true freedom.

This interpretation of the Supreme Court decision in *Green v. County School Board of New Kent County* is somewhat misleading. The Court in that case had condemned Freedom of Choice plans only when they were practiced in districts where *de jure* segregation had previously existed. Still, the general conclusion drawn about Open Enrollment on the basis of published reports about the Southern experience would seem to be reasonable.

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But in fact, the desegregation picture under Open Enrollment, even in the South, was by no means uniformly discouraging. If one extreme during these years was the average four per cent integration in Mississippi, the other extreme is exemplified by the case of Chapel Hill, North Carolina. Freedom of Choice began in Chapel Hill in the early 1960's, and by the school year of 1965-66, 26 per cent of the 1,253 black students in the system were attending previously all-white schools. In the summer of 1966, fully 48 per cent of the black students asked to be transferred to integrated schools for the following school year; and at this point, the Board of Education, claiming that the black schools would now be too small to operate efficiently, switched to a geographic zoning plan that entirely integrated the system. In short, Freedom of Choice in Chapel Hill completely undermined a dual system of education; and it did so via a meaningful affirmative vote for integration on the part of the black community.

The Chapel Hill experience was not unique; similar events took place, for example, in Sherman, Texas. And while it is true that a university community like Chapel Hill may not present a very typical example, other Southern districts also had an experience considerably more encouraging than that of Mississippi. For instance, a survey of all Florida school districts containing over a thousand black pupils (the only districts omitted were those which had completely eliminated the dual structure in several grades) shows the frequency with which various percentages of black students attended substantially (over 30 per cent) white schools in the fall of 1968, the last year in which Freedom of Choice was uniformly applied in Florida:

TABLE 1. *Freedom of Choice in Florida Schools, 1968*

PERCENTAGE OF BLACKS IN INTEGRATED SCHOOLS	NUMBER OF DISTRICTS
1-10%	3
11-20	8
21-30	11
31-40	7
41-50	2
51-60	0
61-70	2

A third of these districts showed under 20 per cent integration, another third showed from 21 to 30 per cent, and almost another third showed over 30 per cent, sometimes considerably more. And figures in this range, if not typical, are by no means rare. In Little

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Rock, 44 per cent of black students opted for integration under Freedom of Choice. In North Little Rock the figuer was 26 per cent, and in Pulaski County, which contains Little Rock but forms a separate school district outside the city, 43 per cent of black students actively chose integration.

It might be argued that at least the Florida data are no more typical of the South than is the Chapel Hill experience. Florida is more industrial and commercial than most of the South, more urban, more affluent, more subject to inward and outward migration. But it is precisely these features that make the Florida experience a more reliable clue to the potential of Open Enrollment in the rest of the country than the discouraging experience elsewhere in the South.

The Northern experience: Rochester

Fortunately, one need not rely entirely on Southern data to judge the potential of Open Enrollment in the North; for there have been many such programs in the North itself. David Kirby, *et al.*, in *Political Strategies in Northern School Desegregation*, found that fully 45 per cent of their representative sample of 93 large and medium-sized communities had instituted some kind of Open Enrollment program which allowed transfers under some conditions. An earlier work on the subject by Robert Crain dealt with eight cities, and all eight had such programs.

But one must be careful in using the experience of all these cities to judge the integration potential of Open Enrollment. For not all of these programs have been operated with a view towards increasing racial integration; indeed, by far the majority have not. Of the eight cities that Crain treated, for instance, only two had specific policies requiring that transfer applications, in order to be approved, had to improve racial balance. The others were "color blind."

When Open Enrollment programs in the North operate in the absence of a serious attempt to use them for promoting racial balance, they may not only fail to increase the degree of integration but actually cause it to fall, because they allow whites to transfer out of schools with some black enrollment. (Open enrollment in the South, though also "color blind," could not lead to increased segregation because the initial situation was one of total segregation.) Alton, Illinois, for example, had a "color blind" Open Enrollment plan during the years 1950-1970. During this time, relatively few black students chose to attend predominantly white schools; many affluent

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white students, on the other hand, chose to transfer to the suburbs. "Ultimately," explains Alton School Superintendent Boyd Mitchell, "this caused the schools in the central part of the city to become predominantly black."

It should surprise no one that transfer programs without the simplest and most obvious administrative safeguards should produce such perverse results. But by the same token, the results of these "color blind" programs should not be taken as a fair judgment of what can occur when Open Enrollment is conducted with a serious intention of promoting integration. One should judge only from those cases where Open Enrollment has indeed been an instrument of integrationist policy; and in those cases, the results are surprisingly good.

Rochester, New York, presents a prime example of the use of Open Enrollment to promote integration. Its first such program began in 1963, when the six elementary schools with the highest percentages of blacks were designated "sending" schools, and 18 schools with below-average black enrollment were named "receiving" schools. The parents of every student in the sending schools were sent a letter offering a transfer to one of the receiving schools. Of the 4,500 parents in the sending schools, fully 1,500 accepted this offer of a transfer. The Board of Education had not expected so great a response; for that school year, it was able to place only 513 of the children in predominantly white schools. Of these, 495 completed the school year in their new schools, and 480 returned to these schools the following year. As of the 1970-71 school year, 1,020 elementary school pupils were participating in the program; 320 high school students had also been added.

In 1971-72, political controversy led to a reorganization of the Open Enrollment program in the elementary schools; the program became "color blind," so that many of the 1,800 students now participating in it transfer for reasons that have little effect on racial balance. Still, data supplied by the Rochester School District make it possible to assess the extent to which the impetus of the earlier years has been maintained. The following table shows the present

TABLE 2. *Placement of Black Elementary Students from Rochester Districts 2, 3, 4, 9, 14, 19, 20*

Attending regular district school (heavily black)	3893
Attending another heavily black school	147
Attending integrated school (over 40 per cent white)	1124
Total	5164

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place of schooling for all black youngsters whose residence is in one of the city's heavily minority elementary districts.

In short, Open Enrollment in Rochester has placed nearly 22 per cent of black youngsters from minority districts in integrated schools. And this figure underestimates the degree of integration being achieved through voluntary programs, for additional youngsters are involved in a plan called the Urban-Suburban Transfer Program. This latter program was begun in 1965 with the busing of some 25 first-graders to the suburban schools of West Irondequoit; today the program involves about 550 elementary students from the city of Rochester. This raises to about 29 per cent the proportion of inner-city pupils who have moved voluntarily into integrated settings, and even this revised figure underestimates the willingness of black parents to choose integration in this way. Waiting lists for the program contain the names of several hundred children; and the number of applicants would doubtless be even higher were it not for the fact that school officials, because of lack of space, have not energetically promoted such transfer applications. Norman Gross, director of the Urban-Suburban Transfer Program, estimates that with enough money and enough space in suburban schools, the size of the program could be doubled.

On the secondary school level, Rochester's own Open Enrollment program has not become "color blind," and continues to operate under the rule that transfers must improve racial balance. In 1973, of 2,103 black junior and senior high students residing in four districts which feed into heavily black secondary schools, 731 had switched to an integrated school, either through the Open Enrollment Program or through a transfer to the Edison Technical and Industrial School or the School Without Walls, both of which are predominantly white and have voluntary admissions. Thus about 34.7 per cent of these youngsters have taken advantage of Open Enrollment. Further, there is a waiting list of about 250 names for the high school program, and even this underestimates the potential of the program, for after a certain point school officials simply refuse further applications.

Thus the Rochester data show substantial integration through Open Enrollment. Perhaps more important, they show that even a greater degree of integration could be achieved were it not for constraints of space. These gains have not prevented the city from coming under recent pressure on the part of federal officials, who have informed the school district that one-way busing is now frowned upon.

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More success stories

The Rochester experience is not unique; it has been replicated in other cities of diverse location and composition. Another relatively large New York community, Buffalo, began its Open Enrollment program in 1967 with the transfer of 825 black pupils. It now transfers about 3,000 pupils a year to achieve racial balance, and its waiting list—despite a lack of space in "receiving" schools that probably discourages applications—has averaged from 300 to 500 in recent years. The 3,000 participating students constitute 26 per cent of those eligible, and by October 1973 the enrollment in the "sending" schools had dropped to 61.5 per cent of the level of January 1966. (Black enrollment in the system as a whole remained at 93.2 per cent of its previous level.)

Smaller Eastern communities have had similar results. Bloomfield, Connecticut, ran an Open Enrollment program until 1971, when its school boundaries were redrawn. Fifty per cent of its eligible black students participated; and in 1968, when the program was still operating, HEW data showed that no school in the district was more than 40 per cent black. Union Township, New Jersey, began its Open Enrollment policy in 1964; over 40 per cent of its eligible students elected to transfer into integrated schools. The program continued until 1969, when HEW judged Union's plan inadequate and forced the district to institute a mandatory busing program in order to produce a more precise racial balance in its schools.

There are examples of success in the West as well. When the Sequoia High School District in Redwood City, California, started Open Enrollment in 1969, the minority enrollment in Ravenswood High School had climbed to 95 per cent. The school administration has made exceptionally diligent efforts to encourage black transfers; in addition, it instituted a specially enriched "magnet" program at Ravenswood, in the hope of attracting white transfer students. By the fall of 1973, gains from the program were impressive: 52.4 per cent of eligible black students had applied, and almost 800 of these had in fact been transferred out of Ravenswood. Moreover, over a thousand of the 9,000 white students in the district transferred in the direction of improved racial balance, and over 400 of these transferred into Ravenswood. The net effect has been that minority enrollment at Ravenswood is now little more than 50 per cent of the total, while every other school in the district has a black minority of at least 12 per cent. This is not to say that the schools are precisely balanced in relation to the proportions of black and white

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students in the district; it is to say that a substantial degree of integration has been achieved.

Portland, Oregon, is another Western city that has had a successful Open Enrollment program. Although it was begun in 1964, only during the last few years has the program been administered with a serious intent to integrate: Portland now is one of the few districts that hires recruiters to enlist parents in the program, and it has provided space for virtually every child who wishes to transfer. During the past three years about 2,000 of the just over 5,700 minority students in "sending" schools (schools with over 25 per cent minority enrollment) have transferred, establishing a participation rate of about 35 per cent. These transfers include about 135 who are bused voluntarily to suburban districts.

Finally, Las Vegas, Nevada, experimented briefly but successfully with an Open Enrollment program. The program began in 1968, at a time when the six elementary schools on the city's West Side were over 95 per cent black. As with the Sequoia district, Las Vegas implemented its plan not only by the encouragement of black transfers but also by the establishment of a "prestige" magnet school to attract white transfers to the black West Side. By 1970-71, 1,257 blacks—26 per cent of those eligible—had opted for busing to white schools. Furthermore, enough whites had opted for busing to the "prestige" school to constitute about 31 per cent of the student body. The following year, the number of whites volunteering for busing rose to 527, a level which led to plans for the establishment of yet a second "prestige" school on the West Side. The overall effect on racial balance in Las Vegas schools was considerable:

TABLE 3. *Open Enrollment in Las Vegas*

	PERCENTAGE OF BLACK STUDENTS IN PREDOMINANTLY WHITE SCHOOLS
March 1969	18.3
April 1970	31.2
April 1971	40.5
October 1971	45.6
April 1972	46.0

The Las Vegas Open Enrollment program was discontinued when the NAACP, which had opposed the program all along, finally succeeded in obtaining a court order providing for mandatory cross-busing in the district.

In sum, those communities which show substantial gains from Open Enrollment are neither so few or so unique in their circum-

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stances that one cannot hope to duplicate their example. And even those cities for which the figures are less impressive indicate the potential of the program, the willingness of black parents and children to opt for integration in substantial numbers. In Denver, an Open Enrollment program enlisted over 1,800 transfers in the direction of improved racial balance. A similar program in Fresno has over the past three years drawn about a 20 per cent participation level from eligible students on both elementary and secondary school levels. And Richmond, California, has achieved a 21 per cent participation level in Open Enrollment.

Even in Boston—whose Open Enrollment program was drawn up without guarantees that it would improve racial balance—the data are encouraging. Under the Boston plan, interestingly, almost half of the more than 6,000 transfers to date have had no notable effect on racial balance. But of those which *have* affected racial balance in one direction or the other, only 1,000 have been in the direction of increased segregation. Almost two and a half times as many of these voluntary transfers, about 2,400, have worked to improve racial balance. So even where these programs have not been administered with the integrationist intentions, the skill, or the resources of the most successful communities, they provide evidence not of insurmountable obstacles to integration through Open Enrollment, but of possibilities that even greater gains can be made through this technique.

The attraction of "magnet" schools

Finally, special mention should be made of a device that may be used together with or independently of a general Open Enrollment program—the "magnet" school, with its specially enriched curricula designed to attract white students to predominantly black facilities. It will be recalled that in Las Vegas and Sequoia such schools contributed significantly to the success of Open Enrollment programs, and there are other examples as well. For instance, in 1967 Syracuse, New York, integrated the previously all-black Croton School by instituting the "Excel Program," a highly enriched curriculum which was instructionally separate from the rest of the school and for which a student ratio was fixed at 170 whites to 40 blacks. It proved easy to get white volunteers for the program; 400 applications were received for the available places. In order to make room for the program, black children in grades four through six were offered the opportunity to transfer to predominantly white schools. Of the 450 black

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students eligible for this transfer, 190—about 42 per cent—chose to make the change.

In 1969, Waterloo, Iowa, established a "magnet" elementary school to encourage white transfers; whites now constitute about half of the school's enrollment. In 1966, Evanston, Illinois, established a kindergarten laboratory center for the same purpose. It hoped to recruit 100 whites to constitute half of the center's population, and it received 170 applications. In Park Forest, Illinois, a magnet school plan in its first year induced 169 whites to attend the heavily black Beacon Hill Elementary School, and to constitute 23 per cent of the student body. (The Park Forest plan was, however, judged "unsuccessful," since it failed to fulfill the state superintendent's mandate to bring the school into exact mathematical balance—80 per cent white, 20 per cent black—with the racial composition of the entire school district.)

It is often argued that citing successful "magnet" school programs is not a fair argument in favor of their long-term worth, since these successes are short-lived and the whites attracted to these programs tend to withdraw after a few years. And there are indeed examples of this "degeneration": In Denver, for instance, a "magnet" school attracted 221 white volunteers in 1969 and enabled a third of the blacks already there to transfer out to predominantly white schools. By 1973, only 40 whites remained in the school. Yet in cases where the effect of the "magnet" school seems to have diminished over time, it is often because of some occurrence extraneous to the program itself. During the years of decline in Denver, the city became embroiled in a divisive controversy over forced school busing. Rochester instituted a "magnet" school program which it then abandoned—because the federal money for it had run out. And "magnet" schools were abandoned in Las Vegas only when a court busing order took effect. Moreover, there are enough counter-examples—examples of stability—so that one need not conclude that such programs are necessarily futile in the long run. The Waterloo program shows no signs of decline after four years; in Boston, the Trotter School opened in 1969 with a good racial mixture and in 1974 remained about evenly balanced at 50 per cent black and 50 per cent white.

This is not to argue that the absolute numbers of students involved in "magnet" school programs have been large; they have not. But what does emerge from these examples is a lesson similar to the lesson of Open Enrollment in general: that such plans have proved capable of stimulating significant gains in integration by voluntary means, and that their growth has been limited more by

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a lack of resources and administrative energy than by an unwillingness on the part of the population, white and black, to integrate.

The New York City program

The Open Enrollment experiences cited so far have been those of small and medium-sized communities. And this fact invites an obvious rejoinder: How can such plans be of any help in our large cities, where the problem of integration is most acute and where the sheer magnitude of minority populations must certainly swamp any efforts of this kind?

The rejoinder is well taken. To say that voluntary plans were useful only in small and medium-sized communities would by no means trivialize their importance; but it would indeed make them irrelevant in precisely those cases which have received the most serious and anguished attention of integrationists. One must, therefore, examine the big Northern cities themselves for evidence of the success or failure of Open Enrollment designed to produce racial balance. And here one confronts a special problem. For if in the country as a whole there are not very many such programs which tried to promote integration seriously and in good faith, among the big Northern cities there are almost none. All too typical is the case of a city such as St. Louis, which allowed transfers for the sake of integration but failed to take the minimal step of paying for students' transportation expenses; or the case of Chicago, which has restricted transfers on the pretext of limited capacity in "receiving" schools. These places are not tests of the integration potential of Open Enrollment; the plan was not implemented in any of them. In fact, the one clear example among large cities of a significant, if imperfect, attempt to make Open Enrollment work is that of New York City.

The history of Open Enrollment in New York is a story at once of failure and of possibility. The history is a long one; the program began in pilot form in the city in September 1960. By 1964, a report by the State Education Commissioner's Advisory Committee on Human Relations and Community Tensions (the Allen Report) had pronounced it a failure:

> Open Enrollment has had no significant effect on the extent of segregation. It *cannot* have, as it depends wholly upon voluntary choice among Negro and Puerto Rican parents. In September 1964, for example, when the program was revised and enlarged, about 110,000 elementary pupils were offered the opportunity to transfer. Of this number, about 2,000 applied, and some 1,800 were in fact transferred—an impact of less than 2 per cent of those given the option.

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The surface of the data reveals failure; but a look beneath that surface reveals that it was a failure not so much of the principle of choice as of administrative and organizational support. The Report fails to mention that during 1961-63—the first years of full-fledged operation of the program—participation rates had reached much higher levels. While it is true that during these years only three to six per cent of parents of eligible children in grades three through five chose to transfer their children out of neighborhood schools, the figures for grade six ran between 25 and 28 per cent. Not all of these sixth-grade requests were honored; but this fact reflects not on the willingness of black and Puerto Rican parents to transfer their children but on the willingness of the city to make room for those children in integrated schools.

Administrative obstacles

Another factor that the Report overlooked was the role played by the New York City school bureaucracy, which, David Rogers claims in his study *110 Livingston Street*, actually sabotaged the program:

> Many parents whose children were eligible for transfers never knew it. And when people were informed, it turned out that some local school officials and some headquarters personnel were opposed to the plan. Parents rarely got sufficient information about what schools their children could attend and how they might get there. The school system did little to counteract false statements by "neighborhood school" groups, quoted widely in the press, that described busing as involving long and arduous trips that would deposit children on the school steps too weary to concentrate on their classes.

Furthermore, as if this dissemination of no information or misleading information were not enough, there developed in the receiving schools a consistent pattern of mistreating transfer students.

Even these obstacles proved capable of being overcome, if only temporarily, by new programs or by concerted efforts from community organizations. For instance, when civil rights leaders learned of the maltreatment of transfer students in "receiving" schools, they began to put pressure on Superintendent Calvin Gross to make changes in the operation of the program. In June 1964, he supervised the introduction of a new variation of Open Enrollment, which gave graduating fifth graders scheduled to enter a black junior high school the option of transferring to a predominantly white one. Under continuing pressures from civil rights leaders, he called a special meeting of all the school principals involved in the program to insist that

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its letter and spirit be carried out. The civil rights organizations, for their part, took an active role in disseminating information about the program to black parents and urging them to take advantage of it. The result was that, in September 1964, 30 per cent of the 3,146 pupils offered the transfer option chose to take it. The following year, activity on the part of the civil rights leaders abated, and the percentage dropped sharply, but remained at a significant 15 per cent. And the total numbers of students involved that year were much larger.

In the same way, a high initial level of participation was achieved in September 1965, when a new Open Enrollment program for high school students was initiated. Graduating black junior high school students about to enter heavily minority high schools were given the option of transferring out; 17.9 per cent, or 4,488 pupils, exercised the option. Because of space problems, only three quarters of these were admitted to the schools of their choice.

But such relatively high level of transfers were indeed temporary; more recently, participation figures have averaged only about three per cent of those eligible each year. But these data significantly understate the number of students currently in racially balanced schools as a result of Open Enrollment; for once a student has accepted his Open Enrollment transfer, he is not included in the next year's participation figures, although he remains in his new school. The participation figures, in short, cumulate.[1] Furthermore, the figures conceal some important distinctions: For instance, eligible Puerto Rican students have an exceptionally small rate of participation in the program. Yearly transfers by blacks, therefore, can be presumed to be significantly higher than the gross figures would indicate.

Still, Open Enrollment in New York City has fallen well short of realizing its full potential, in large part because of the continuing lack of enthusiasm with which it has been administered. Principals in "sending" schools complain that their brightest students are lost to Open Enrollment; principals in "receiving" schools claim that it must be the worst specimens who land on their doorsteps. Neither group feels an interest in expanding the scope of the program.

In addition, the half-hearted decentralization of New York schools

[1] If we consider, for example, the kindergarten class which entered four all-black Queens schools in 1966, we find that 145 of 666 youngsters were assigned transfers to receiving schools. During the following four years an average of over 50 new transfer assignments per year were granted to members of this class, so that by 1970 the total number of students assigned to receiving schools had swelled to 362. It would be hasty to try to calculate participation rates from these data, since a high rate of student mobility may wash out some of the cumulative effect. Still, this is quite a substantial amount of movement.

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has in some ways intensified the difficulty of student transfers by increasing the autonomy of local school districts. "We used to get what we wanted," says one member of the staff at the Central Board of Education, explaining his efforts in behalf of Open Enrollment. "Now in some districts I have to beg for places to transfer kids into." On the part of the "sending" schools, the problem is complicated by the fact that a great deal of money is now available from state and federal sources for compensatory education of students from low-income backgrounds. Each student has, in effect, a price on his head, which a district will lose if he transfers out! Thus there has developed yet another incentive for the "sending" schools not to promote Open Enrollment.

Making Open Enrollment work

The data from New York, then, are consistent with those from smaller cities, although the situation is certainly more complicated. In New York, as elsewhere, blacks have shown that they will move into predominantly white schools in substantial numbers. Voluntary programs had moved over 77,000 children for the sake of integration by 1973, more than all of New York's mandatory programs had transferred. There was clearly no lack of willingness by parents to participate in significant numbers, and the obstacles that school officials erected were not impossible to overcome. Moreover, there seems to be every reason to suppose that, if such obstacles were removed, Open Enrollment could be much more successful in New York. Thus the partial success in New York, no less than the achievements in other cities, provides a guide to those circumstances and features which *can* produce a successful Open Enrollment program.

That school districts should pay the transportation costs of students who opt to transfer is a first obvious point (even though the effects of such a policy may be as much symbolic as they are material). Yet cases abound—Oakland, California, and Hartford, Connecticut, to name two—where even this modest encouragement was not given to parents choosing a transfer.

That a substantial number of places for black students be provided in predominantly white schools is another obvious, almost simple-minded point; yet in present programs, it is common to find stringent limitations on the number of places available. When Hartford initiated its Open Enrollment program for a system of 27,000 pupils, it determined that only 99 places would be available for transfer.

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This problem of lack of space might seem to be inherent in any voluntary program which—as such programs by definition must—deprives educators of the right to assign children to schools in the way which most efficiently utilizes available space. Although the declining enrollments of recent years make this less of a problem than it would otherwise be, in many districts the shortage of seats in receiving schools seems to be genuine. Yet this is precisely the sort of problem that educators *can* deal with. Many districts do have substantial construction programs. Relocatable classrooms, regardless of their aesthetic deficiencies, have no educational deficiencies. Further, research in the area of class size and educational outcomes has failed to support the idea that small classes are more conducive to learning. Thus if one values integration, or if one merely values the right of parents to choose the sort of education their children will have, there appears to be no sound educational reason not to allow large classes. Thus the Buffalo teachers' association would seem to be unjustified in its insistence that a strict limit on class size in receiving schools be maintained. The Saginaw, Michigan, Board of Education, on the other hand, appears to have been fully justified when, faced with 84 applicants beyond the number for whom places were "available," it simply decreed that these students *would* be accommodated in the schools of their choice.

Finally, and also obviously, the administrative machinery of such a program should encourage participation by eligible students. Parents should be offered a program without complicated application procedures and too-early deadlines; more important, they should know about the opportunities available to them in the first place. In the successful Sequoia project, the job of promoting the program was not left to the choice of individual school principals. Instead, the district itself mounted a concerted promotional program, including letters and application forms sent by the Superintendent to each eligible parent; daily bulletin announcements over all school intercoms announcing transfer options and deadlines; visits from high school counselors to all eligible homerooms to make sure that students understood procedures; visits by promotional teams from high schools which students had the option of attending; parents' nights designed to acquaint parents with the available options; visits by students to schools which they might choose to attend; mailings to all eligible students describing the offerings of different schools; parent coffees; newspaper publicity; and radio and television coverage.

The list is long, and yet the efforts it describes are administratively and politically simple ones to engineer. It is precisely because

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these steps *are* so simple and obvious that one should not judge the integration potential of Open Enrollment by the administrative response of New York City—or of those programs which inform parents of their existence merely by sending letters home via their children (one of the more notorious ways yet devised for insuring that parents will *not* receive the information intended for them). There is little doubt that Open Enrollment programs have achieved substantial gains, and that even in large cities the gains can, with relative ease, be made greater still.

How is the burden shared?

Even if one agrees, however, that voluntary programs have a significant potential for achieving gains in integration, one might well be troubled by the question of whether Open Enrollment is a fair way to achieve these gains. School integration, it is frequently argued, is the responsibility of the whole community; its burden must be shared equally between blacks and whites. In Open Enrollment, by contrast, the burden of busing (and this argument must admit that busing *is* a real burden, not something to which only racists can object) falls primarily on blacks. Even "magnet" schools in black areas never attract as many white pupils into them as there are blacks transferring out.

This is a powerful argument; yet before accepting it as a decisive one against Open Enrollment, one must ask whether alternative strategies—such as mandatory busing—will actually produce a fairer distribution, a greater chance that a black child will be bused away from his local school only as often as a white child. As it turns out, we have some data with which to answer this question, data compiled by Kirby, *et al.*, in co-operation with the National Opinion Research Center. Kirby's data, based on a careful sample drawn from all non-Southern communities in the United States with more than 3,000 blacks in the school system, categorize these communities according to the "radicalness" of their response to the desegregation problem and show what percentage of black and white children actually get bused under each type of response (see Table 4). The data are quite clear: Even if one chooses to examine only those communities that have instituted the most radical mandatory programs for transferring children, the burden falls far, far more heavily on black students.

One might respond that the situation which now exists, even under "radical" programs, is not the situation that *should* be; if radical

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TABLE 4. *Mandatory Busing—the Distribution of the Burden Between Blacks and Whites*

"RADICALNESS" OF INTEGRATION PROGRAM	CHILDREN MOVED PER CENT BLACKS	CHILDREN MOVED PER CENT WHITES
Least radical ⅓	2.32	.20
Middle ⅓	10.38	1.56
Most radical ⅓	12.52	.72
15% most radical	13.69	1.47
Eight cases which moved most blacks	50.40	7.57
Eight cases which moved most whites	43.67	8.49

programs have not provided a fair distribution of the busing burden in the past, they must nevertheless be designed to do so in the future. Yet it is simply not reasonable to argue that such changes in design can in fact be made. To date, the government agencies that force integration plans on school districts—federal courts, HEW, state superintendents' offices—have shown no inclination to demand that equal numbers of whites be bused to enforce this integration—as indeed they have shown little inclination to dictate *any* of the precise details of the integration plans under which participating districts are to operate. The result has been a series of mandatory busing programs like that of Las Vegas, where black children are bused during five out of six of their elementary school years and white children during only one; or that of Wichita, Kansas, which is currently busing about 1,200 whites and 5,500 blacks. Given the political realities of school desegregation battles, there is no reason to expect that central officials will feel any freer in the future to impose the exact terms on which busing will take place.

In other words, one cannot argue that mandatory busing programs produce a significantly fairer distribution of the burden of integration than voluntary programs do; blacks bear the principal burden in either case, and will continue to do so in the foreseeable future. Under these circumstances, the only question of fairness at issue between the voluntary approaches and the mandatory ones is whether blacks will be allowed to choose to bear this burden or whether they will be forced to bear it.

The case for a voluntary approach

Voluntary approaches, then, not only can achieve significant gains in integration, but can do so without creating a more unfair distribution of the busing burden than mandatory programs impose. And the voluntary strategy has other advantages as well. The most obvious

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of these is political: Mandatory busing programs can be forced on a community only at the cost of bitter and dangerous community polarization; and even one who is willing to bear these costs must face the probability that the recent limitation the Supreme Court has placed on forced busing across district lines will, at least in some places, limit the usefulness of such programs still further. Open Enrollment, by contrast, has proved capable of mobilizing support from majorities of citizens. As former Berkeley School Superintendent Neil Sullivan explains it:

> Open Enrollment has the tactical advantage of being very difficult to oppose, since the opponents of integration are more apt to be in the receiving schools. It is very difficult for them to think up "acceptable" reasons for opposing the move since their own youngsters are not being moved anywhere. They are placed in the position of having to come right out and say that they oppose it because they do not want their children mixing with Negroes, or keeping quiet altogether.

One need not hold so cynical a view of white parents' motives as Sullivan does to recognize this advantage of the voluntary strategy. Open Enrollment, to be sure, is not without political problems of its own—the problem of bureaucratic resistance, for instance, or that of obtaining classroom space for transfer students. But these are simply not of the same magnitude as the massive public opposition that the idea of mandatory busing inevitably provokes.

If mandatory integration produced massive educational gains for black students, one might feel forced to conclude that blacks should indeed be compelled to bear their primary burden in integrating the schools. But such educational gains are, to say the least, dubious. The debate on this subject in the pages of *The Public Interest* between Armour and Pettigrew is well known. Less well known is an assessment of present knowledge in the field by Patricia Lines, whose commitment to integration is undoubted. Writing in *Inequality in Education,* Lines finds ". . . little basis [to support] beliefs about educational gains or losses resulting from busing." She concludes that maximum integration is nevertheless required because "this nation has not yet paid off past debts" to black citizens. One might be forgiven for wondering how a nation can pay off its debts to black citizens with a policy which does not seem to benefit them.

Again, this is not to say that Open Enrollment may not cause educational problems—in the underutilization of black schools, or in the effect the program may have on those black students who remain in black schools once the transfers have left. It is not certain that the program will bring such problems in its wake; its effects

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have been so little studied that one simply cannot tell. But even if these problems do emerge, they do not seem so large or intractable as to outweigh the advantages of choice over compulsion.

Black parents and students must be given the right to an integrated education if they wish it; that much is absolutely certain. But we have overlooked the role that voluntary programs can play in providing that right in a meaningful sense, especially in places where the demographic situation makes any effort at large-scale integration through school assignment and busing enormously difficult. The data show that choice in education is consistent with increased racial integration for the vast majority of cases: Black parents will opt for integration if given the chance, and white parents can be drawn to integrated schools with attractive curricula. Open Enrollment will rarely produce racial balance in the mathematically exact sense of the term; but it can reasonably be expected to produce significant integration without the political and moral costs of coercion. It is well worth the increased application of public energy.

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On "opening up" the suburbs

NATHAN GLAZER

WE are living through what seems to be a low point of interest in the "crisis of the cities." There are no longer any major television documentaries. The economic crisis of the cities, after a modest abatement owing to the decline in the number of schoolchildren, is now upon us again, but this time it seems to be part of the general problem of inflation. We have learned to live with high rates of crime, against persons and property; they are apparently not going higher, owing—one assumes—to the fact that the number of teen-agers is now increasing very slowly. (Or perhaps to the greater efficiency of the police? Or perhaps because crime rates had gone as high as they *could* go?) The low rates of academic achievement in the central city schools are not going any lower. (Perhaps they had gone as low as *they* could go?) There are no longer major riots by inner-city blacks.

But if things are not getting worse, and if indeed in some respects they are getting better, we are still not happy with the American city, nor are we happy with many of the policy directions of the last 10 years. Public housing, after losing popularity in most circles, was supplemented by interest-subsidy housing, which in turn lost popularity after it became evident how very expensive it was (whether

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because of program design, or mismanagement and misfeasance, can be debated). The poverty program and model cities programs are in decline, though parts of them are maintained by cities out of their own and federal revenue-sharing funds. Welfare reform is equally in the doldrums: It seems the way to stop the growth of the rolls was simply to be "tougher" toward welfare applicants (as in New York and California), and there is no strong support for replacing what used to be called "the welfare mess" with a grand new scheme. School programs still get their funds but are hardly very popular; and while busing spreads through the Northern cities under court orders, one is hard put to locate the political support for that, either.

One major new policy direction, however, now does seem to attract the attention of urban experts. We may call it, for convenience, "opening up the suburbs," which is also the title of a well-written and well-argued book by Anthony Downs—perhaps the fullest and most persuasive statement of the case for this new policy direction, or rather, since many policies would be required to implement it, strategy. (*Opening Up the Suburbs: An Urban Strategy for America,* Yale University Press, 1973.)

The key facts which suggest the need for such a policy for basic improvement of city life are well known: The central cities, and in particular the central cities of large metropolitan areas, have shown a steady increase in the proportion of their population that is black and poor. Simultaneously, the major growth in metropolitan areas is in the "suburbs" (that is, outside the central cities—I put the term in quotation marks because, depending on census definitions, the "suburbs" now include towns that *also* are increasingly black and poor). The major new building is in the suburbs. The major expansion of jobs is in the suburbs. The major investment in new schools and other new social facilities is in the suburbs. The concentration of the poor insures something like a contagion of social problems, while their dispersion might moderate the impact of these problems. The concentration of poor blacks continues the trend toward "two nations." Perhaps the most important effect of the "white noose" of suburban settlement is in limiting access to jobs. Industrial jobs are located where land is cheap, open, accessible to the new thruways, freer from congestion—in short, the suburbs. And in view of the condition of public transportation, access to these jobs by concentrations of black and poor in the cities is enormously difficult.

Some of the usually cited facts in the case are as follows (from the Appendix to *Opening Up the Suburbs*): 21 per cent of central cities

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families in 1969 had incomes under $5,000 a year, against 12 per cent for the suburbs. In 1970, 58 per cent of blacks lived in central cities, against 27 per cent of whites; conversely, 40 per cent of whites lived in suburbs, against 16 per cent of blacks. As a *percentage* of suburban population, blacks actually declined from 6.1 to 5.3 between 1950 and 1970; in central cities they rose from 12.3 to 20.5 per cent (in the nation as a whole blacks were 11 per cent). Of course, most of the new houses are built in the suburbs, in view of their more rapid growth. (But, oddly enough, considerably more new houses in relation to population growth are built in central cities than in suburbs.) And, to conclude this statistical presentation, between 1960 and 1970 the central cities of the 15 largest metropolitan areas *lost* 836,000 civilian jobs, while their suburbs *gained* 3,086,000 jobs.

Downs sums up the benefits to be gained by opening up the suburbs as follows:

1. Better access to expanding suburban job opportunities for workers in low- and moderate-income households—especially the unemployed
2. Greater opportunities for such households to upgrade themselves by moving into middle-income neighborhoods, thereby escaping from crisis ghetto conditions
3. Higher quality public schooling for children from low-income households who could attend schools dominated by children from middle-income households
4. Greater opportunity for the nation to reach its officially adopted goals for producing improved housing for low- and moderate-income households
5. Fairer geographic distribution of the fiscal and social costs of dealing with metropolitan-area poverty
6. Less possibility of major conflicts in the future caused by confrontation between two spatially separate and unequal societies in metropolitan areas
7. Greater possibilities of improving adverse conditions in crisis ghetto areas without displacing urban decay to adjacent neighborhoods

Defining the issue

This kind of analysis of the division within the American metropolitan areas of poor and non-poor, of black and white—of the causes of the division, their effects, and the policies that might overcome them—has become in recent years by far the most flourishing branch of urban studies. Similarly, the legal and political effort to open up the suburbs to the poor and black has become perhaps the most important thrust in the policy area. Thus, in state after state, new housing corporations are being established; one of the most important issues affecting their powers is the extent to which they will be able

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to build or to encourage the building of subsidized housing in the suburbs, and the extent to which local communities will be able to retain power over zoning and other regulations that limit the powers of builders, public or private, to put in new housing. A complex legal strategy is now being pursued, and those engaged in it hope that some major decision may emerge that will sharply limit community powers and lead to a greater flow of the poor and the black into the suburbs. Certainly no other general strategy now competes with the "opening of the suburbs" in its promise for an amelioration of so many urban problems. As such, both the way the issue is put and the solution proposed deserve some detailed examination.

One point must be made at the outset. The question at issue is not whether it is legitimate to discriminate against anyone in the sale or rental of housing on grounds of race, religion, color, or national origin. This is illegal under national statute, and under many local and state laws. The argument over opening up the suburbs goes considerably beyond this legislation as commonly understood, just as the argument over non-discrimination in employment and education has graduated into controversy over "affirmative action" and busing. Affirmative action in employment has come to mean in effect quotas by race or group in each firm and level of employment, and affirmative action in education has come to mean quotas by race or group in each school in a system. Thus the further development of law in the field of open housing should, one would think, in all logic, lead to the same. In the case of employment and schools, lawyers have had to overcome the arguments that qualifications and educational (or quasi-educational) concerns must limit the random distribution of persons (which is what we usually mean by "integration") by race in jobs or to schools; and similarly, in housing, they must overcome the arguments that local control of development, economic considerations, and ecological considerations may all properly be used by a community to limit the kind of housing it allows. As we shall see, the development of the law has not proceeded as successfully in the direction of requirements for random distribution and assignment in the field of open housing as in employment and education. But to repeat: Discrimination on grounds of race, color, religion, and national origin in rental or sale of housing, or by any of the agencies that are involved in the rental or sale of housing (except for the case of an individual selling his own house without assistance, or renting out part of his own house) is illegal. Our concern is with how public policy should develop beyond this minimal moral standard, which is now law.

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The argument for opening up the suburbs raises three kinds of issues: of fact, of effect, and of policy. Are the *facts* as to segregation such as to require major new strategies and policies? Are the *effects* of a different distribution of the black and poor in metropolitan areas likely to be so beneficial as to inspire major new strategies and policies? Are the *policies* proposed such that we may with confidence support them in the hope that a better society will follow?

I. Facts

Every student of city and suburb will be aware that beyond the simplest statistics (those we have given), there will be no easy and general agreement on the facts of the matter. The key statistic seems to be one that has already been mentioned: that the proportion of blacks as a total of the suburban population actually *declined* from 1960 to 1970, while the percentage of whites increased greatly; and the converse in central cities. Clearly, the separation into two nations seems to be proceeding apace.

But this is the large and general picture, and if it is used to argue that "blacks" are being confined against their will in central cities, it is false. When it is used to argue that poor people, among whom blacks figure more prominently than in the population as a whole, are increasingly confined to central cities, it has some truth in it—but, even then, only in the large. The fact which makes this statistic dubious is that the "suburbs" that we can identify from the census are remarkably various. They include in many areas open and lightly settled agricultural land, which rarely has had any blacks on it in the North and West, but has been long occupied by a rural black population in the South. They include old suburbs, which in many metropolitan areas may be industrial and working class, as well as the more typical newly developed residential areas with higher-income residents. Many central cities, on the other hand, include large tracts that are lightly settled and that are being developed in "suburban" fashion; the growth of the black population in these central cities is not *necessarily* a sign of increasing "ghettoization." Finally, even large populations of blacks in central cities may not be "ghettoized," but may be spread broadly throughout the city.

Perhaps the most important factual issue is whether the concentrations of blacks that do exist are the result of poverty—in which case, we may expect that, with improvement in the black economic position, concentration will decline as more and more residential areas become economically available; or whether, alternatively, such

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concentrations are the result of discrimination against blacks, or choice by blacks. We have some evidence on all these issues, but hardly enough.

To begin with, there is the question of suburbanization itself: The fact that the proportion of blacks in the suburbs has almost maintained its (relatively) small share between 1950 and 1970 can itself be considered a matter for some satisfaction! Yes, blacks have slipped as a proportion of suburban population in 20 years from 6.1 to 5.3 per cent; *but* this has occurred at a time when the suburbanization of the metropolitan areas was proceeding at a very rapid rate—i.e., when whites were going to the suburbs in truly huge numbers. The *absolute* number of blacks living in suburbs did increase rapidly—from 2.2 to 3.7 million—and this number became a larger proportion of the black population as a whole.

Secondly, the situation from metropolitan area to metropolitan area was remarkably diverse. In nine of the 12 metropolitan areas with the largest number of blacks, the increase of black population in the suburbs from 1960 to 1970 proceeded *more rapidly,* and in most cases much more rapidly, than it did in the central cities (see Table I).

TABLE I. *Increase in Black Population, in Absolute Numbers and Per Cent, in Central Cities and Suburbs of 12 Metropolitan Areas Containing Largest Numbers of Blacks, 1960-1970.*[1]

	Percentage Increase in Central City, 1960-1970	Percentage Increase in Suburbs, 1960-1970	Black Suburban Population (in thousands) 1960	1970
New York	53	55	140	270
Chicago	36	65.5	178	128
Philadelphia	23	34	142	191
Los Angeles	52	105	117	240
Detroit	37	26	77	97
Washington	31	98	84	166
Baltimore	29	16	60	70
Houston	47	8	62	67
St. Louis	19	54	81	125
Newark	50	64	86	141
Cleveland	15	453	8	45
San Francisco -Oakland	40	61	68	109

[1] Source: United States Bureau of the Census, "General Demographic Trends for Metropolitan Areas."

As one can see from the absolute figures included in this table, not only did black population increase more rapidly in the suburbs than in the central city in nine of the 12 metropolitan areas, but in absolute terms these increases were not small. By now there are substantial black suburban populations in most metropolitan areas, and one

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may expect the factors that have contributed to their growth in the past—the breaking down of discriminatory barriers, the attraction of better and cheaper housing in the suburbs, and the decline in central city housing and services—to contribute to a substantial increase of black suburban population in the 1970's.

Analyzing the trends

Now, one may view these figures on black growth in the suburbs of large metropolitan areas with skepticism. After all, is it not the case that the increase of blacks in the suburbs tends to represent either the expansion of the black ghetto, hitting the edge of the city and expanding into neighboring suburbs, or the expansion of small all-black settlements previously established in industrial suburbs and in the low-rent areas of affluent suburbs? This is in some measure true. Thus, the huge percentage increase in the black suburban population of Cleveland reflects the fact there were almost no suburban blacks in that metropolitan area in 1960; and a good part of that increase is concentrated in one community, East Cleveland, whose black population increased from almost nothing in 1960 to 23,000 in 1970 (in the process, the percentage of blacks rose from two to 51). East Cleveland may be viewed as an extension of the black "ghetto"—but whether such a suburban concentration is that depends on the kinds of black people living there.

Perhaps the best analysis of the black condition in the suburbs is that of Bernard Frieden,[1] and it reveals that blacks in suburbs—outside the South, where the "suburbs" are often nearby rural sections with poor rural blacks—do have better occupations, higher incomes, more home ownership, and a lower proportion of female-headed families. Black suburbanites may not be just like white suburbanites, but they are also not simply central-city blacks moving over the city line. Suburbanization of blacks is what we commonly think suburbanization to be, and is ordinarily *not* the extension of the ghetto.[2]

Of course, the gross analysis of trends obscures the very important differences between regions, and between different metropolitan areas. Suburbanization in Cleveland may be quite different from suburbanization in Washington, which seems to be in large measure

[1] Bernard Frieden, "Blacks in Suburbia: the Myth of Better Opportunities," in *Minority Perspectives: Papers by Dale Rogers Marshall, Bernard Frieden, and Daniel William Fessler* (Washington, D.C., Resources for the Future, 1973).
[2] Similar but more fragmentary evidence is given in William W. Pendleton, "Blacks in Suburbs," in Louis H. Masotti and Jeffrey K. Hadden, eds., *The Urbanization of the Suburbs, Urban Affairs Annual Reviews*, Vol. VII (Beverly Hills, Sage, 1973).

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very much the movement of middle-class blacks into areas as attractive to them as to middle-class whites.[3] The fact that there has been no increase in the black suburban population in the Houston metropolitan area must be the result of the fact that Houston itself still has much room for expansion, and thus provides many of the benefits of the suburbs within the central city. That, presumably, is why the *white* population of Houston increased 25 per cent between 1960 and 1970, an increase unique among major central cities. Owing to the configuration of its borders, Houston is still rapidly growing as a central city; the fact that the black suburban population has not increased there may mean that blacks find the same opportunities for housing, services, and work in the Houston central city that elsewhere are to be found only in suburbs.

A third important point is that even in older central cities there has been both a substantial upgrading of the economic circumstances of the black population, and a substantial desegregation of the black population as it moves into areas which whites are leaving. Thus, the economic rise and the desegregation of the black population are not to be measured only by the progress of suburbanization. Inevitably—and this bedevils the entire discussion of this issue—we confuse race and class. Of course blacks are on the average poorer, and the poor are disproportionately black. Nevertheless the two cannot be used as substitutes for one another, though a crude convenience often leads us to make the equation. The fact that central cities are becoming increasingly black does not necessarily mean they are fated to become increasingly poor. A recent analysis of New York by the First National City Bank argues: "The city has not lost its middle class, as so many people suppose. It is true that many middle-class families move to the suburbs, often to be replaced by lower-income newcomers, but many other families moving up to middle-income status remain in the city. The income figures show only a germ of truth in the popular mythology."[4] The cities are becoming more black, but not lower-class in the same ratio, because the class composition of blacks is changing rapidly. The cautious optimism of the First National City Bank report on New York may be matched by more or less optimistic outlooks elsewhere, but the point to be made is that more black need not mean more poor, and it means it considerably less today than in the past.

[3] See for example, "Races Held Most Alike in Pr. George's," *Washington Post* (November 12, 1973), and "Black/White Growth Trends Turn Around in Suburbia," *Metropolitan Bulletin* (Washington Center for Metropolitan Studies, January 1974).

[4] George Roniger, "Metro New York: An Economic Perspective," First National City Bank, Economics Department (New York, 1974).

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Segregation indexes

Nor does more black mean more segregated, a common illusion. Perhaps the most important work on the degree of segregation of blacks (as compared to other groups) is that of Karl and Alma Taeuber. Starting with *Negroes in Cities* (Chicago, Aldine, 1965), and continuing through many articles, including, most recently, unpublished analyses of the 1970 census, they have computed segregation indexes for metropolitan areas by block. The segregation index tells us how far from random the distribution of a group is. If it is perfectly randomly distributed, the index will read zero. If every block is either all Negro or all white, the index will read 100.[5] For 1940 to 1970, the census permits the calculation of segregation indexes only between whites and non-whites; for 1970 one can also calculate them for whites vs. blacks. For decades the segregation of non-whites, the Taeubers had demonstrated, was extremely high, and had remained high or risen while that of immigrant groups had declined. While no great comfort can be taken from the new figures for 1970—they continue to show on the whole a very high measure of segregation—there is a clear suggestion of a reversal of trend. Despite the fact that the Negro population in all these cities has, one can assume, increased, the measure of segregation of non-whites has *declined* in all but six of 109 cities. Between 1950 and 1960, in contrast, the measure of segregation *had risen* in 45 of these cities.

We do not have segregation measures for suburbs, since block statistics are not reported for many of them. Surprisingly, smaller cities on the outskirts of larger cities—generally "older" suburbs, where the black population has begun its entry to suburbia—usually show *lower* measures of segregation than central cities. What indeed these scattered figures suggest is that *some* "suburbs"—in effect small cities adjoining large central cities—are not less "open" or more "segregated" than central cities (see Table II).

Survey data

The analysis of segregation indexes is an arcane branch of the social sciences, and one hesitates to make much use of them. There is other evidence, however, which suggests that the popular image of

[5] It is an indication of how hard it is to find a general and satisfactory answer to the question, "How much segregation is there and what is the direction of change?" that the segregation indexes from the 1970 census were not available until presented in a discussion paper of the Institute for Research on Poverty of the University of Wisconsin in February 1974. (Annemette Sorensen, Karl E. Taeuber, and Leslie J. Hollingsworth, Jr., *Indexes of Racial Segregation for 190 Cities in the United States, 1940 to 1970,* Studies in Racial Segregation, No. 1.)

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TABLE II. *Indexes of Residential Segregation Between Whites and Non-whites, 1950 to 1970, for Central Cities and Selected Suburbs.*[1]

	1970	1960	1950
Boston	79.9	83.9	86.5
Cambridge	52.6	65.5	75.6
Chicago	88.8	92.6	92.1
East Chicago	79.0	82.8	79.6
Evanston	78.3	87.2	92.1
Los Angeles	78.4	81.8	84.6
Pasadena	75.0	83.4	85.9
New York	73.0	79.3	87.3
Mt. Vernon	78.4	73.2	78.0
New Rochelle	70.7	79.5	78.9
Yonkers	68.0	78.1	81.7
Newark	74.9	71.6	76.9
East Orange	60.8	71.2	83.7
San Francisco	55.5	69.3	79.8
Oakland	63.4	73.1	81.2
Berkeley	62.9	69.4	80.3

[1] Source: Annemette Sorensen, Karl E. Taeuber, and Leslie J. Hollingsworth, Jr., *Indexes of Racial Residential Segregation for 109 Cities in the United States, 1940 to 1970,* Institute for Research on Poverty Discussion Papers, University of Wisconsin at Madison, Studies in Racial Segregation, No. 1.

a segregated black population with no contact with whites is rather exaggerated. Thus, a 1965 National Opinion Research Center (NORC) survey reports a degree of experience of residential mixing within blocks that I believe would surprise most analysts:

TABLE III. *Percentages of Whites with Experience of Interracial Blocks.*[1]

NEGRO FAMILY LIVED ON SAME BLOCK	*South* GRADE SCHOOL	*South* HIGH SCHOOL	*South* COLLEGE	*North* GRADE SCHOOL	*North* HIGH SCHOOL	*North* COLLEGE
Yes, live there now	6	3	5	15	10	15
Yes, used to	21	27	14	24	25	22
No, never	73	70	81	61	65	63

[1] Source: M. A. Schwartz, *Trends in White Attitudes Toward Negroes,* National Opinion Research Center, Chicago, 1967, as given in Thomas F. Pettigrew, "Attitudes on Race and Housing: A Social-Psychological View," in *Segregation in Residential Areas,* edited by Amos H. Hawley and Vincent P. Rock, National Academy of Sciences, Washington, D.C., 1973.

Apparently, outside the South, more than a third of the American population either now live on a block with a black family, or once did.

Another NORC survey tried to find out the extent of integrated neighborhoods in the United States. In view of the widespread belief that an integrated neighborhood is one that exists between the entry of the first black and the departure of the last white, and the belief that this is a rather short period, efforts were made to exclude changing or "transitional" neighborhoods: Informants were asked to report

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whether their neighborhoods were ones into which they expected both whites and blacks to move during the next five years. The process of determining what is a neighborhood and what is an integrated neighborhood is, of course, very complex, and the procedures of the social scientists who conducted this study will not be reported in detail here. Still, it is of some interest to note the authors' finding that "[city-wide] leaders consistently underestimated the number of integrated neighborhoods. . . . They classified as Negro segregated (changing [that is, to Negro]) some neighborhoods that local leaders and residents considered integrated because both Negroes and whites could move and were moving into them."[6] They further report: "On the basis of our data, we estimate that 36 million white Americans, or 19 per cent of the population, lived in racially integrated neighborhoods in 1967." Owing to the definition of "integrated," most of these neighborhoods contained very few Negroes: only seven per cent of the Negro population was estimated to live in such neighborhoods. One assumes that these figures must have risen substantially since 1967.

The University of Michigan Institute for Social Research asked national samples in 1964, 1968, and 1970 what the racial composition of their neighborhood was. The number of whites answering "all white" dropped from 80 to 73 per cent in these six years; the number of blacks answering "all black" dropped from 33 to 22 per cent. Similarly, these samples were asked about the racial composition of the school nearest them: Whites saying (of high schools) "all white" fell from 59 to 36 per cent; blacks saying "all black" fell from 40 to 13 per cent. For elementary school, "all white" responses fell from 43 to 22 per cent, and "all black" responses from 36 to eight per cent.[7] I have not seen references to survey data on degree of neighborhood integration since 1970; but undoubtedly in the four years since, residential integration has proceeded further.

In sum: On the issue of the facts, we are talking about a problem that undoubtedly exists, but that also is much less of a problem than most observers assume.

II. Effects

The effects of a possible redistribution of blacks so that they more closely approximate a random distribution between suburbs and cen-

[6] Norman M. Bradburn, Seymour Sudman, and Galen L. Gockel, with the assistance of Joseph R. Neal, *Side By Side: Integrated Neighborhoods in America* (Chicago, Quadrangle, 1971).

[7] Angus Campbell, *White Attitudes Toward Black People,* Institute for Social Research, University of Michigan (Ann Arbor, Michigan, 1971).

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tral cities can be various indeed, as we may see from the seven points I have quoted from Downs. Thus, one expected effect would be an equalization of educational achievement, through access to the better, more integrated, and more expensive schools of the suburbs. But, as we know, the question of whether and when better education might be expected to follow school integration is a bedeviled one. Indeed, the major emphasis in the legal push for further efforts at integration is now placed on Constitutional rights and the hope for better social relations rather than on more equal educational achievement. The latter may well follow in time, but there is little in the research to date that tells us why, when, or how.[8]

As with school integration, so with school expenditures. The legal assault on unequal financing for schools, which has failed in the federal courts, may succeed in various state courts; but the question of the relationship between size of expenditure and educational achievement remains unclear. In the most striking case, New York State spends 61 per cent more than the national median per child, and yet it is not clear that New York gets anything more in educational achievement for its greater expenditure than the states which spend the median amount. The point is that any expectation of a rapid rise in educational achievement for blacks owing to a massive shift to suburban schools is not solidly based.

A second effect that may be traced out concerns the impact of a population redistribution on black political power. This is now rapidly rising, but by no measure corresponds to the 11 per cent of the population that blacks form. Would a redistribution increase or reduce black political power? Here the answer is unambiguous: Clearly, it would reduce it. Overwhelmingly, black political representation is based on numbers concentrated in constituencies. While we have the example of a Senator Brooke and a Mayor Bradley, elected from constituencies with small minorities of black voters, most black representation is from districts with a heavy concentration of blacks. Undoubtedly there would be offsetting gains—more blacks in the suburbs would mean that more political representatives would have to consider the significance of black votes and black opinion; but in this area of possible effect, one would have to record a minus for blacks.

In a third area, that of better social relations and whatever follows from them, I believe one should record a plus—if, that is, the redis-

[8] See Nathan Glazer, "Is Busing Necessary?", *Commentary* (March 1972); David Armor, "The Evidence on Busing," *The Public Interest*, No. 28 (Summer 1972); and "On Busing: An Exchange," by Thomas F. Pettigrew, *et al.*, David Armor, and James Q. Wilson, *The Public Interest*, No. 30 (Winter 1973).

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tribution is of working-class or middle-class blacks into areas of similar status. We have much evidence of good social relations between blacks and whites in interracial neighborhoods. By their nature, improved social relations cannot be easily summarized or reduced to figures, but one assumes that they may mean access to important networks of information (as to jobs, housing, education), as well as a reduction of interracial conflict, and, aside from any instrumental gains, they can be rewarding in their own right. Yet as we know, there is great resistance in many neighborhoods to the entry of individual blacks of the same social and economic level and enormous resistance to blacks who are of a lower social and occupational level. The management of integration to achieve the positive results and avoid the negative results is no simple matter. To add to the difficulties, those who most strongly emphasize the opening of the suburbs insist that it is only the entry of *lower-class* blacks into suburbs that will really bring the expected gains. The middle-class blacks, it is assumed, will be able to get there on their own.

The equilibrium problem

The reason it is so difficult to achieve whatever measure of integration some outside observer would think proper is that people are mobile, and their tastes on both sides may not lead to what we would consider an equilibrium. Thus, Bradburn's study found that only seven per cent of blacks lived in integrated neighborhoods that were considered "stable" (in the sense that both whites and blacks were expected to be willing to move into them for at least the next five years). And only three per cent of white households lived in neighborhoods that were more than 10 per cent black (19 per cent of the whole white population, it will be recalled, lived in integrated neighborhoods of some kind). A good number of whites may consider 10 per cent black too integrated; a good number of blacks may consider 10 per cent black as not quite integrated enough. One is reminded of a study of a Jewish community about 20 years ago in which the most common response as to a desirable "integrated" neighborhood was about 50 per cent Jewish. But this is not the answer most non-Jews would then have given; and so once neighborhoods started being comfortable for Jews, they started being uncomfortable for non-Jews. A 1968 survey of blacks reports that 48 per cent would prefer a neighborhood mixed half and half, 13 per cent all or mostly Negro, one per cent mostly white, and 37 per cent "no difference." The dynamics of black and white residential preferences may be such that

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the achievement of, let us say, a neighborhood that is "only" 10 or 20 per cent black risks instability and a movement to mostly or all black.

And if some kind of "management" of integration is necessary, the question arises as to what extent the control of movement into an area by race will be constitutionally allowed, even if it is intended for benign effects? The "benign quota" is still unconstitutional. While the quota intended to overcome unconstitutional discrimination is constitutional, one finds it hard to imagine it could be proposed for residential areas, as it has been proposed—and often adopted—for jobs and schools. Nor, in view of the controversy around quotas in these other areas, would one want to see them applied to control residential location. In any case, the practical problems would be huge.

Race and class

I have suggested that good relations of blacks and whites in integrated areas are dependent on some similarity of class level. This is, at least, the modest wisdom of social science, which has studied housing projects and army units (in the army all are of the same class) and found integration in them to work well; has studied examples of low-income and midde-income interracial housing developments and found them to work well, too; and has recorded the intense conflicts when, for example, it was proposed to bring low-income housing projects into working-class or middle-class areas. Yet we now have, surprisingly enough, examples of developments which mix different income levels. The developments of the Massachusetts Housing Finance Authority are of this type, and against all expectation are successful.[9] Perhaps their success is based on the fact that they are still few and that tenants are carefully selected; one may expect that if they are required to take their tenants without discrimination from low-income populations, they would be less successful. Nevertheless, substantial parts of the American population, influenced by an increasingly liberal educational system and increasingly liberal mass media, may be willing to undergo the experience of living at close quarters not only with persons of different race, but of lower class, and who are expected to be troublesome. The proponents of large movements of low-income people into the suburbs seem to divide among those soberly aware of the costs (such as Anthony Downs, who is willing to compensate people who accept troublesome neighbors for their varied risks with public funds), and those

[9] "Massachusetts Tries Mixing Income Groups in Subsidized Housing," *Wall Street Journal* (June 25, 1974).

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who believe either that such a move would be costless or that the people who endure the costs should do so willingly. My own judgment is that there are costs, and it is very difficult to compensate people enough to get them to accept these costs.

Indeed, the refusal to undertake the risks, the feeling that there has been enough change and that stability is desirable, now seems dominant. And it is even receiving academic support in unexpected places. Thus, a lead article in the *Journal of the American Institute of Planners* (and recall, it is a rare planner who is not committed to opening up the suburbs, whatever his employers think) argues that mixing classes may cause a good deal of stress. The author (Barrie B. Greenbie, "Community Health and Urban Planning," *Journal of the American Institute of Planners*, March 1974) draws upon the work of John Cassel, who has been studying the relationship between stress and disease, and who finds that stress follows "in human beings when familiar customs, status hierarchies, and emotional group support systems based on specific cultures are disorganized through enforced migration. . . ." This finding is used to warn against any extensive efforts at demographic change through interventionist policy in the suburbs:

> Now that the arrogance of well-intentioned ignorance has helped many of our large cities to become virtually uninhabitable, we are faced with propositions that may, if what I may call "Cassel's syndrome" is not carefully considered, extend the same disastrous policies to the suburbs. Whatever else these may or may not be, these have, at least until recently, tended to be stable communities. That, of course, is why they are being looked to by reformers who have given up on the central city. Many of the campaigns to relocate city poor are based on a legal assault on what is called "exclusionary zoning." . . . Zoning originated in an attempt to bring form to an otherwise formless urban environment. It did so precisely because the forces which shaped earlier communities were no longer operative. In general it has proved to be a crude and blunt instrument. . . . But the fact that it has proved a poor solution . . . does not mean it can be breached . . . without recognizing the more constructive purposes it was designed to accomplish in the first place.

One improvement to be expected from a black move into the suburbs is better housing. Thus, there is a much greater rate of homeownership among blacks in the suburbs. On the other hand, there is, surprisingly enough, more substandard black housing in the suburbs than in central cities. This is undoubtedly owing to the fact that for blacks, as for whites, "suburbia" as the census defines it may mean very different things, from depressed rural slums to affluent middle-class housing. Yet, if one image which follows from thinking of blacks

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as "penned up" in the central cities is that it must be very difficult for them to improve their housing, it is wrong. The fact is that the reduction of "substandard" housing between 1960 and 1970 among blacks was at the same rate as among whites—nearly 50 per cent. In 1960, one half of the housing occupied by blacks was substandard; in 1970, one fourth.

The job "mismatch" theory

Perhaps the most important effect hoped for from an opening up of the suburbs is more rapid improvement in the economic position of blacks. This flows from the well-known analysis of the dynamics of job distribution in metropolitan areas, an analysis which argues that job growth—manufacturing, service, and sales—is concentrated in the suburbs, and increasingly so; that blacks in central cities without good transportation facilities leading to these areas are cut off from access to these jobs; and that the jobs that are left in the city are increasingly those of higher skill, unavailable to minorities because of their poorer education—the job "mismatch" hypothesis. Under recent reexamination, however, this entire analysis has been seriously weakened. Thus, Bennett Harrison[10] analyzes a substantial new body of data, as well as the older data which led to the thesis I have just summarized, and demonstrates convincingly (1) that there is no evidence of any acceleration in the process by which jobs (and population, tending to move together with jobs) grow more rapidly in the suburbs; (2) that the number of jobs in relation to labor force has, if anything, increased in the central cities in recent years; (3) that there is no evidence of a job mismatch.[11]

Naturally, this reversal of such widely accepted axioms will be treated with skepticism, but the fuller argument makes sense. The postwar data on which the early analysis was based ended with figures from around 1963. In the early postwar period there was a particularly rapid decentralization of jobs, owing to the resumption of long-term trends interrupted by depression or war. The later 1950's was a period of slow economic growth; in such a period (according to Benjamin Cohen and Roger Noll), "because of high excess capac-

[10] *Urban Economic Development: Suburbanization, Minority Opportunity and the Condition of the Central City* (Washington, D.C., The Urban Institute, 1974).

[11] These rather startling conclusions are based on the research, principally, of Benjamin I. Cohen ("Trends in Negro Employment Within Large Metropolitan Areas," *Public Policy,* Fall 1971), Charlotte Fremon (unpublished papers for The Urban Institute, 1970), and Wilfred Lewis, Jr. (unpublished manuscript, The Brookings Institution, 1969).

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ity, firms tend to remove their least productive plants first"; moreover, since even during high unemployment professional and managerial labor is in short supply compared with manufacturing labor, "one would . . . expect firms to . . . locate in areas appealing to the middle-income professionals living in suburbs." But, interestingly enough, analyses based on data up to 1963, becoming current in the later 1960's, were challenged by developments after 1963. True, there is the evidence from the census, given by Downs, that in the central cities of the 15 largest metropolitan areas, civilian employment *did* decline from 1960 to 1970 by 836,000. But, as Bernard Frieden has pointed out, a lot depends on which years and metropolitan areas one selects, and the massive growth of *government* jobs changes the picture:

> In the 30 largest metropolitan areas total local government employment increased enough between 1957 and 1962 to more than offset job losses in other sectors. After 1962, the decline in private employment was reversed in the central cities of most of the large metropolitan areas: in the 30 largest areas, taken together, private employment rose by an average of 99,000 jobs per year between 1963 and 1967, compared with an average decline of 6,000 between 1958 and 1962.

I have not yet seen analyses of the effects of post-1969 recessions on the relative growth of jobs as between central cities and suburbs, but the fact is that the story has not been all one way. The theory of "job mismatch," reasonable as it appears (and true as it may be, for example, for New York), does not survive a general analysis of job patterns in metropolitan areas.

In any case, as many point out, the jobs are still basically located in the central cities—which is why the dominant commuting trends are into them. This apparently has not affected the pattern of higher black unemployment. Harrison seems to feel that this is owing to discrimination; others believe discrimination is no longer a factor, and it is basically due to poor endowment—education and family background: ". . . by the end of the 1960's, a black could expect the same success in the labor market as a white with the same endowment," write Robert E. Hall and Richard A. Kasten.[12] Still others would argue that there is a problem beyond both of these, the decline in labor force participation by blacks, which is wholly explained by neither discrimination nor endowment in themselves, but by these *and* the incentives of misguided social policies.

[12] "The Relative Occupational Success of Blacks and Whites," *Brookings Papers on Economic Activity, 3:1973,* following up on work of Richard B. Freeman, "Changes in the Labor Market for Black Americans, 1948-1972," *Brookings Papers on Economic Activity, 1:1973.*

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III. Policies

One's discussion of policies to open up the suburbs must of course be influenced by the analysis already offered of the actual patterns of suburbanization of minorities and the actual effects to be expected from a higher rate of suburbanization induced by public policy. Once again, we must insist on the reminder: The enforcement of the laws against discrimination is not in question. Indeed, in this area a more intensive and sustained effort to wipe out discrimination seems in order, insofar as it is really directed against discrimination on grounds of *race*. There is no agency with a primary commitment to end discrimination in housing, as we have in the case of employment (the Equal Employment Opportunity Commission) and in the case of education (the Civil Rights Division of H.E.W.). Here responsibility is more widely distributed. I would, however, hesitate to see a special agency created because the history of such agencies inevitably shows an imperialistic increase in powers, which transforms the proper and necessary fight against *discrimination* into an effort to impose a given *pattern of distribution of racial groups*, for which there is no warrant in the Constitution, the laws, or the tastes of the people.

To my mind, the suburbanization of blacks proceeds at a pace related to their economic and occupational rise, and the benefits to be gained from attempting a massive hastening of this pace seem doubtful. But, in fact, I would argue that the opening-up-of-the-suburbs argument is now oriented not primarily to the problem of middle-class blacks. It is oriented to the problem of the *poor*, white or black, both because it is believed—and with much more justification—that the poor as a class are excluded from the suburbs by zoning and other local government powers, and because it is believed that the poor as a class would benefit by moving from central city to suburbs. The two issues—suburbanizing blacks and suburbanizing the poor—are very frequently confused, but they should be held separate.

To review the situation briefly, policy measures to open up the suburbs could proceed at the federal level, the state level, the metropolitan level, the local level, or in the courts.[13] At the federal level, our early housing policies gave powers to local government to accept

[13] The best and most convenient summary of the complex picture in this area is to be found in Charles M. Haar and Demetrius S. Iatridis, *Housing the Poor in Suburbia: Public Policy at the Grass Roots* (Cambridge, Mass., Ballinger, 1974). This book also contains extremely detailed case studies of efforts to build subsidized housing in a number of suburbs, demonstrating the complex interplay that now exists between the levels of government.

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or refuse subsidized public housing. Large cities accepted it; smaller cities often did not or, if they did, accepted it only for the aged. In 1968, we started a new program in the subsidization of housing for the poor, bypassing local public agencies confined to city boundaries and providing mortgage subsidies, in the 235 and 236 programs, which any builder, non-profit or profit, and any individual (theoretically) could take advantage of. This new approach was undertaken for many reasons, among them dissatisfaction with the project approach of the local public agencies, and the belief that the poor should have access to home ownership. These programs were enormously successful, and produced far more housing annually than was ever built under public housing. But they also were plagued by scandal and high costs, and they have been suspended while a new approach—most likely rent supplements—is under consideration.

With the shift to the 235 and 236 programs, the federal government had to confront the problem of what to do about communities that excluded 235 and 236 housing on the basis of zoning and other powers. The story of what it did or did not do is a complex one and would take us far afield. On the whole, it did little, mainly because there was never any consensus as to what it should do. In any case, with the impending move away from project funding to housing allowances, action at the federal level will have little direct impact on residential patterns.

State and local programs

Much of the responsibility for opening up the suburbs has—with the moratorium on federal housing subsidy programs, the attempt to shift more and more federal housing and community development money into state revenue sharing, and the rise of state housing corporations—passed to the state level. Here the Urban Development Corporation of New York was a pioneer. Initially, it had the power to build anywhere and to override local zoning controls, if it felt that to be necessary. But when it tried to do so, it raised such a storm that these powers were taken from it by the state legislature.

Another approach, much studied, is that of Massachusetts, which has passed a law permitting appeals from local zoning to a state board, which can override the local decisions if they are taken in a community that does not have a certain amount of low-income housing. Efforts to make use of this mechanism have foundered up to now because, even if a zoning decision is overridden, there are other legitimate grounds for localities to exclude low-income housing. In

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particular, the new concern for environment and requirements for environmental impact reviews have given many local communities substitutes for zoning; for often low-income housing for the suburbs is proposed on cheap land, and it is just this land which may be swampy and provide nesting for birds, etc. Yet according to a summary in the *Boston Globe* on May 19, 1974, the state Housing Appeals Committee had heard 17 appeals, and nine more were pending. It had approved 11 applications (subject to their meeting certain conditions), rejected one, and was still considering the rest. Both the New York and the Massachusetts approaches (and others) have been proposed for other states, but political resistance has been severe and it is not clear how much more progress can be made along this route.

A new level of quasi-government now exists, the councils of government (COG's) that have been set up under federal prodding in metropolitan areas and that are required to review all applications for federal support from local governments in their area. One of these, the Miami Valley Regional Planning Commission (covering the Dayton, Ohio, metropolitan area), in 1970 pioneered in developing a regional housing plan under which each local area agreed to take a certain amount of subsidized housing. This is to date a unique success in voluntary action, and the building of much subsidized housing outside of Dayton followed. I do not know, however, of other such examples, and the growth in the effectiveness or powers of the COG's has been very slow.

Finally, at the municipality level, we have the complex question of zoning and related powers. The needs of municipal finance suggest that it is better to have rich people than poor people, fewer children to educate than more, more open land than built-up land. This leads to large-lot zoning, limits on multiple-dwelling units, and the like. The assault on zoning and related powers is now taking place in hundreds of courts, but up to now—while there have been many successes in overturning one or another kind of denial to build—what seems to have been determinative in preventing a major legal breakthrough is that while racial groups are constitutionally protected categories that cannot be excluded, income groups are not, and may be excluded. In some of the cases that have made this record, middle-class blacks have fought along with middle-class whites against subsidized development for low-income groups. These new allies on the one side have been matched by new allies on the other. It is the builders and developers who are now allied with open housing advocates and public advocacy lawyers in trying to overturn local powers to

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restrict development. One of the most important such cases was that of the federal government against the town of Black Jack.

The Black Jack case

The town of Black Jack had sprung into existence, taking this most inappropriate name, in the metropolitan area of St. Louis because a subsidized development was planned in the area. Black Jack rezoned the site for the development to prohibit multi-family uses. Planner Jerome Pratter writes:

> There is a horrifying fascination in reading the planning report and zoning ordinance prepared by the Black Jack Planning and Zoning Commission, a body without professional planners. . . . It is not surprising that citizens with no planning experience could draft a competent document. What is alarming is the ease with which the traditional planner's techniques and phraseology were used to support the decision to make Black Jack a single-family community. . . . The report relies on the "basic character of the community . . . being single family," and the "already overburdened traffic arteries" as justification for excluding [the development].[14]

The legal argument was that Black Jack was trying to exclude blacks, and that this was in violation of the Fair Housing Act of 1968. To succeed, it had to show that Black Jack's actions excluded not only the low-income, but the black. An effort was made by researchers from the Urban Institute to demonstrate that the exclusion of the proposed development would have a disproportionate impact on blacks. The researchers demonstrated that while 57 per cent of all blacks in the St. Louis metropolitan area lived in multi-family housing, only 25 per cent of whites did, and that while 15 per cent of moderate-income black households lived in multi-family rental housing, only eight per cent of whites did. This is the kind of statistical evidence that has led to judicial action in employment and education cases. But on March 20, 1974, a federal court refused to overturn Black Jack's decision to exclude multi-family housing. It said:

> The evidence in this case does not support a charge of racial motivation, purpose, or intent in the incorporation of Black Jack as a city or the passing of Black Jack's zoning ordinance. . . . In testing the validity of the action of the government of the city, county, state, or country against a charge of racial discrimination, it would be ludicrous to contend that the feelings and personal prejudices of every resident or even

[14]Jerome Pratter, "Dispersed Housing and Suburbia: Confrontation in Black Jack," in the American Society of Planning Officials, *Land-Use Controls Annual, 1971*, p. 151.

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> governmental officer of that government must be examined. Personal feelings or prejudices unexpressed and unmanifested in action would become the test of the validity of governmental action. Although it is true very few officials will openly state racial reasons for their actions, racial considerations must be shown as part of the legislation or as a significant reason for the legislation. . . . Multiple reasons were advanced for opposition to apartments, among them the character of the community, road congestion, school impaction, property devaluation, and opposition to transient apartment dwellers. . . . These are valid state reasons to pass such an ordinance and supply a rational basis for the actions of the City of Black Jack.

This is only one decision; many others could be quoted. But it was considered an important case, and one senses that we have passed the peak of judicial activism. Perhaps the cases against local zoning powers have come a few years too late.

Are heroic measures necessary?

Finally, I should point out, Anthony Downs' strategy emphasizes voluntary action stimulated by economic incentives—for low-income groups to move to the suburbs, for builders to build for them, for local governments to accept them. He quantifies the objectives of his proposal, in terms of necessary migration flows, necessary amount of new building, and the like. And he nobly lists the range of strategies and tactics that would be necessary to implement a substantial level of movement of the poor into the suburbs—a listing that would lead most readers to conclude the task is impossible. Thus, the very *first* policy involves nothing less than strengthening the decision making powers of old government bodies and new ones, and includes establishing multifunction metropolitan development agencies, creating minimum sizes for governments exercising zoning powers, consolidating small suburban communities into larger ones, and creating metropolitan agencies with stronger review, amendment, and veto powers over lower-level decisions. There are nine other major policies, most with a substantial range of necessary tactics. I should add that Downs is emphasizing at this point economic integration rather than racial integration. He believes this may be easier to implement, since black political leaders now tend to oppose the dispersal of blacks.

Admittedly, it is all too easy to flinch in the face of necessary heroic measures. The question I would raise is: Is this degree of heroism necessary? I have argued it is not, for integration of blacks is occurring, while a major public policy for the integration of the poor would be impossible to implement. One could develop in more de-

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tail the argument against Downs' proposals. I think two of the most important points would be: (1) How *much* subsidy is necessary to get builders to build, low-income city dwellers to move, and suburbs to accept new low-income populations? While I favor economic incentives rather than compulsion where possible to get people to act in the public interest, the history of the 235 and 236 programs—which would be only one small part of a Downsian strategy—suggests the costs would be overwhelming. (2) What Downs is suggesting is measures to *increase* the movement from the declining central cities, which now have excess housing, schools, hospitals, and transportation facilities. It is true he proposes simultaneously that, as people are being encouraged to move out, there be improvement of inner-city areas (though with least emphasis on capital investment). But would not that only add to the cost?

As I ponder the problems raised by the debate on the opening of the suburbs, I am struck with a certain similarity to the argument over busing for integration. In both cases, *voluntary* action may do a great deal in bringing us toward a more integrated society. But in both cases, voluntary action works for relatively stable families. It is they, one assumes, who are more willing to find new housing and neighborhoods in the suburbs, to take action to send their children to distant schools so they can improve their education. But in our cities there is another problem, and that is the large, depressed section of the black population. It is not identical with the huge female-headed family sector, or the welfare population, or the population out of which comes a disproportionate number of juvenile delinquents, the violent, and the disturbed. But the overlap among all these categories is substantial. The black middle class and the black worker do not need any special help from government, aside from the strict enforcement of the laws against discrimination; these groups have made substantial progress, and are steadily making more. There should be no problem for other Americans in fully accepting them as neighbors and accepting their children in schools, and if there is, the full force of the law must be brought into play to replace prejudice and silliness with reason. But there is, alas, another problem, and all our experiments in social policy have made small headway, if any, against it. As long as this other problem exists, as long as it holds the key place in public consciousness that it does, as long as it continues to make the central city dangerous and unpleasant, and, to many, immoral to boot, I do not see how we can expect anything but resistance—from blacks and whites—to the overruling of local governmental powers in order to open up the suburbs.

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Campaign financing: the dilemmas of reform

MARC F. PLATTNER

As the impact of the "McGovern rules" on the composition and course of the 1972 Democratic convention so dramatically revealed, changes in political procedures can very easily produce changes in political results. This is a vitally important lesson to keep in mind when approaching the immensely complex issue of campaign financing reform. Unfortunately, however, it is a lesson all too easily ignored in the current post-Watergate climate.

In 1974, campaign financing reform has, understandably, taken on the character of a moral crusade. Many of the most scandalous incidents of the Watergate affair have involved the improper solicitation and employment of campaign funds. Outraged segments of public opinion demand that something be done to root out such corruption and "prevent future Watergates." Accordingly, Congress feels called upon to take legislative action that will "restore public confidence in government." It is this atmosphere which produced, in April of this year, Senate passage of a bill that would drastically alter the way in which Presidential and Congressional campaigns are funded. Besides imposing strict limits on the amount of overall campaign expenditures and on the size of personal contributions, this measure would provide full public funding (for major-party

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candidates) in general elections, and partial public funding in primary elections.[1]

Now, it is obvious that, under the existing system, money has considerable influence on political campaigns; but it should be equally obvious that the role of money can never be wholly eliminated from the electoral process. If we are to have campaigns, *somebody* will have to pay for them. The most that any reform can do is to change the terms in the campaign-money equation: who will provide how much money to whom. But an alteration in the terms of this equation is bound to produce shifts in the outcome of elections. Some of the most significant of these shifts may be almost impossible to predict; others can vaguely be foreseen; still others are clearly discernible, but in fact are often overlooked.

A vivid illustration of this last category is to be found in the effects of public financing, as now approved by the Senate, on third-party and independent candidates.

The third-party problem

The most serious dilemma that confronts any public financing scheme is that of establishing a formula for eligibility—in other words, for deciding to whom the money will go. Some broad and general rule must be written into the law. If the criteria for eligibility are strict, the result will be to close off the system and make it all but impossible for an outsider to have a chance. If, on the other hand, the criteria are lax, the result will be to encourage a proliferation of candidates and/or parties attracted by the easy availability of public money. If all general elections in the United States were contested solely by the designated candidates of the two major parties, the solution would be clear: simply provide equal funds to the Democratic and Republican candidates. But despite the dominance of the two-party system, third-party and independent candidates sometimes play an important role. They may help to bring valuable new ideas into the political mainstream, and, at the very least, they provide a safety valve for the escape of dissatisfaction with the more established parties. Moreover, any public funding law that blatantly discriminated against minor parties would probably be struck down by the courts.

How, then, do most public financing proposals deal with the

[1] In early August, the House approved public funding for Presidential primary and general elections, but *not* for any Congressional races. It appears likely that whatever legislation emerges from the House-Senate Conference Committee will follow, at least on this point, the House version.

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minor-party problem? Generally, as in this year's Senate bill, by funding the candidates of those minor parties that received more than five per cent of the vote in the previous general election according to the following formula: A minor-party candidate is eligible to receive an amount that bears the same ratio to the amount received by candidates of major parties (defined as those having received more than 25 per cent of the vote in the last election) as the total number of popular votes received by the minor-party candidate for that office in the preceding election bears to the average number of popular votes received by the major-party candidates for that office in the preceding election.[2] Any such formula must inevitably take its standards from past electoral performance; yet past performance is a particularly inappropriate basis for judging minor parties. For, especially at the Presidential level, significant third parties in the United States have generally had a very short life span, and frequently have been based on the charismatic appeal of a single individual. The contemplated formula for financing minor parties might make it more difficult for them to arise, but then—which is even more worrisome—might help to perpetuate them beyond their natural life.

Thus, if such a scheme had been in operation in 1968, *Governor George Wallace, running against major-party candidates enjoying full public funding, would not have received a single penny of the taxpayers' money. But if the scheme had been law in 1972, John Schmitz, Wallace's successor as Presidential candidate of the American Independent Party, would have received millions of dollars from the government.* Such an infusion of funds into the Schmitz campaign might have helped him to gain the necessary five per cent of the vote to insure the party *future* public money. Moreover, the knowledge (from 1968 on) that millions of dollars would automatically go to its nominee would have vastly inflated the party's importance. Perhaps Wallace himself would have been more inclined to make another third-party race; and if not, it is likely that there would have been much more competition, and possibly among much more distinguished contenders, for the American Independent Party's nomination. In sum, then, the effect of public funding might very well have been artificially to preserve this party, and perhaps turn it into a permanent force on the American political scene.

The problem of minor-party and independent candidates becomes even more acute in the area of Congressional elections; for such

[2] Candidates who receive no, or less than full, public funding would, of course, be permitted to try to raise money privately—with tight limits on individual donations—up to the total expenditure ceiling.

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candidates, albeit in small numbers, actually do win elections. Let us take, for example, the case of James Buckley, who was elected Senator from New York in 1970 on the Conservative Party ticket. In that race, Senator Buckley received 39 per cent of the vote, Democrat Richard Ottinger 37 per cent, and Republican Charles Goodell 24 per cent. Under a public funding scheme that made allocations dependent upon the results of the previous contest for that seat, Senator Buckley would have received no public money in 1970, which would have put him at so severe a financial disadvantage that he probably never could have gained the victory. But suppose such a law were to take effect today. And let us further suppose that Senator Buckley himself were not to run for re-election. The result nonetheless would be that the Conservative candidate for the Senate in 1976 would get full public funding, along with the Democratic candidate. The Republicans, however, would be in trouble; because their 1970 vote total fell beneath the 25 per cent necessary to retain major-party status, their candidate would receive less than two-thirds the amount awarded to his Conservative and Democratic rivals. Such an allocation probably would in no way reflect the actual support enjoyed by the nominees of the respective parties in 1976. It would only be an artificial echo, six years later, of the unusual circumstances and personalities of the 1970 race.

As for those who choose to run as independent candidates, they are truly left out in the cold by public funding formulas. For there is obviously no way a system based on past performance can grant money to a non-incumbent running as an independent. If such a law had been in effect in 1972, it is extremely doubtful that Congressman Moakely, who ran as an independent against Democratic and Republican opposition in a Boston-area district, would be in the House today.

The pre-Watergate reforms

The current furor over campaign financing often tends to obscure the fact that in 1971—before Watergate—Congress enacted the most comprehensive reform in this area in almost half a century. This reform package did include a first hesitant step along the public financing route: a public funding option for Presidential candidates, to be financed by a voluntary "dollar check-off" by income taxpayers; but even this provision was not to take effect until after the 1972 election, and it needed further Congressional approval before 1976. The main thrust of the 1971 reforms, however, went in a very

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different direction. Their most essential article imposed strict disclosure requirements for campaign contributions, expenditures, and debts. Another provided, for the first time, tax incentives (either a deduction or a credit) for small political contributions. What is more, the new laws actually *repealed* the existing ceilings on expenditures and on contributions—which, to be sure, were loophole-ridden and generally unenforced. (The reforms did, however, include a new limit on media spending, some of whose provisions have since been ruled unconstitutional.)

Far from being hostile, then, to the funding of the campaign process with private resources, the 1971 reforms aimed at bringing in more private money by stimulating small contributions. And rejecting the principles of ceilings on overall expenditures or individual contributions, they relied on disclosure as the primary weapon for preventing abuses. Unfortunately, this reform did not get a full and fair trial during the 1972 election, since it did not take effect until mid-way (April 7, 1972) through the campaign, and large amounts of "secret" money were raised before that time. But certainly a strong argument can be made that full disclosure from the start—especially if accompanied by tight restrictions on the use of cash—would be an effective legal remedy for preventing the kind of gross corruption indulged in by the Committee for the Re-election of the President (CRP). In a sense then, perhaps the most important "Watergate reform" actually preceded Watergate itself.

At the same time, by its very effectiveness in helping to reveal how much was spent and how much was raised in large contributions in 1972, the disclosure law has spurred the call for further reform. For, contrary to the hopes of some of its proponents, disclosure apparently had little deterrent effect in reducing the volume of large contributions even after April 7. Of course, it is quite plausible to suppose that the most significant deterrent effect of this sort would be felt *after* the first election subject to strict disclosure. But be that as it may, there is now a widespread feeling that disclosure is not enough, and that ceilings on campaign expenditures and contributions, rejected in 1971, must now be resurrected.

Expenditure limits: the First Amendment problem

Though limitations on expenditures and on contributions are often lumped together, the rationales behind these two policies really are quite different. The case for overall expenditure limits is based on the argument that unreasonably large sums are expended

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in election races: Candidates simply raise and spend more than is either necessary or proper, and "too much money" leads to corruption. The strongest apparent empirical support for this point of view, of course, is the 1972 Nixon re-election effort, which spent over twice as much ($56 million) as any previous Presidential campaign, yet was left with a surplus of more than $4 million. And the unsavory purposes for which some of these abundant funds were used need no elaboration.

A further argument for expenditure limits is that, if they are set low enough, they will minimize the chance that one candidate or one political party will be able to outspend another, and the possibility of "buying" elections through superior financial resources will thus be virtually eliminated. This is the path that the British have chosen. Parliamentary candidates are prohibited from spending more than about $4,000 during election campaigns, a minuscule sum by American standards. This provision is strictly enforced, and most Britons seem to feel that it successfully prevents money from having an undue influence on the electoral process.

Yet there are a number of factors that militate against any simple application of the British solution to the American context. In the first place, Britain does not have any equivalent of our First Amendment, which grants free speech—and especially political speech—Constitutional protection of the highest order. Therefore, the British have been able to forbid all expenditures in support of or in opposition to a candidate except those made by candidates themselves or their authorized agents. Some such centralization of responsibility for campaign spending is obviously necessary if a limit on expenditures is to achieve its purpose. If a candidate were not charged for sums spent by his supporters, the overall limitation would be meaningless. And if, on the other hand, all amounts deemed to have been spent "on behalf of" a candidate were charged to his total, *whether or not he himself approved the expense,* the candidate would lose all effective control over his campaign, and the gravest abuses—a veritable festival of "dirty tricks"—would probably follow.

Workable spending limits, then, require that the candidate be given veto power over the expenditures of his supporters. And it is here that the most serious First Amendment problems arise. Professor Albert J. Rosenthal of Columbia University Law School gives the example of a nephew of his who in 1968 had printed a supply of buttons reading "Reluctantly for Humphrey." It is, of course, highly unlikely that a candidate faced with a strict spending ceiling would allow any of his permissible expenditures to be devoted to such

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half-hearted expressions of support. Yet the result would be that no individual or group which wished to make it clear that it was supporting a candidate as "the lesser evil" would be able to do so.

Moreover, if spending limits are not to be circumvented through an enormous loophole, money used to express *opposition* to a candidate must be charged to the allotment of one of his opponents. But this involves even greater dangers to the exercise of First Amendment rights. For example, let us suppose that during an election campaign an incumbent President who is a candidate for re-election carries out a policy to which some individual or group is passionately opposed, and the individual or group in question wishes to place a newspaper advertisement expressing its disapproval. Unless another Presidential candidate were willing to have its cost count against his own expenditure totals, it would be illegal to buy such an ad. Or to take a slightly different example, what if Governor Wallace were to run as a third-party candidate in 1976 and the NAACP wished to purchase a series of ads urging citizens not to vote for him? It is very unlikely that, under a system of strict spending limits, either major-party candidate would authorize such an expenditure, and the law would thus reduce the NAACP to silence.

It is doubtful that the courts would uphold a measure granting candidates so sweeping a power to curtail free speech—even in the name of "preserving the integrity of the electoral process." As a result, the Senate, in the campaign reform bill it passed this spring, chose not to hold candidates responsible for "independent expenditures" made without their authorization. Instead, it imposed a $1,000 per person (i.e., individual or group) limit on independent expenditures "advocating the election or defeat of a clearly identified candidate." (This last phrase, if strictly construed, could be taken to mean that an unauthorized paid advertisement which did not *directly advocate* voting for or against a candidate might be free of any expenditure limitation. Thus, a group might be able freely to attack a particular policy of an incumbent President, or to call to the public's attention racist statements once uttered by a candidate.) The $1,000 per person allowance for independent expenditures mitigates slightly the law's curtailment of free speech—though at the price of opening a loophole in the overall expenditure limits.

Incumbents and challengers

The danger of inhibiting free speech and full debate, then, is one reason for being cautious about imposing limits on how much can-

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didates may spend. Another danger is that ceilings that are set too low may make it inordinately difficult for challengers to unseat incumbents, especially in Congressional races. Incumbents generally begin campaigns with considerable built-in advantages over their challengers. Not only are they usually better known because of their official position and past services to their state or district, but they also enjoy the benefits of their Congressional office facilities, staffs, travel allowances, mailing privileges, and the like. The empirical evidence shows that incumbent Congressmen running for re-election are rarely defeated; in 1972, 80 per cent of the Senators and over 95 per cent of the Representatives who ran in the general election retained their seats. Moreover, a study by Common Cause indicates that in 1972 incumbents on the average outspent their challengers by a margin of about two to one. Victorious challengers, however, presented an exception to this general tendency: eight of the 10 who defeated incumbent Representatives outspent their opponents, as did three of the five who defeated incumbent Senators.

The Common Cause analysis also reveals that the House races in which challengers unseated incumbents tended to be much more expensive than the average contest. The usual problem facing challengers is not that their incumbent opponents spend huge amounts, but that they themselves have difficulty raising more than very small amounts. And it is only when they are able to break this pattern, and to obtain generous financial backing, that challengers can win. This situation indicates that a relatively low expenditure limit might render the defeat of incumbent legislators all but impossible, and thus have the effect—presumably contrary to the reform's intention—of severely inhibiting electoral competition. Indeed, this line of analysis would suggest a rather different approach toward equalizing the financial resources of competing candidates. As it identifies a problem, not of *over*funding, but of *under*funding of campaigns, it would point to a policy that, instead of imposing a *ceiling* on expenditures, furnished an adequate minimum—or *floor*—of financial support.

A more general argument that American elections are underfunded —or at least that we do not spend "too much" on them—is made by Herbert Alexander, the foremost American student of political financing. He bases his case on comparisons like the following: First, in relation to other democratic countries, per-voter political expenditures in the United States are relatively low. Second, the amount of money that is spent on political campaigning (about $400 million on all levels in 1972) is minuscule compared to the huge sums that are spent advertising such products as cigarettes, detergent, soft drinks, and

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the like. Third, the amount spent on electing candidates for federal office is less than one tenth of one per cent of the sum that elected officials allocate every year in the federal budget. This sort of argument emphasizes the vital role of electoral activity in a democracy, the crucial importance of the choice that voters are called upon to exercise, and the educational value of political campaigns.

An inconclusive case

The debate over whether too much or too little money is spent on American political campaigns is inconclusive as far as the issue of election reform is concerned. In part, of course, the opposing arguments of each side tend to cancel each other out. But beyond that, neither side is able to cite abuses or deficiencies of sufficient gravity or permanence to justify federal regulation of the amounts spent by candidates on their campaigns. First of all, it is not obvious that the availability of large sums of money is in itself a source of corruption. Even if the CRP had been operating under a tighter budget, it is likely that it would have allocated a portion of its funds to illegal "intelligence" activities. After all, these abuses fit the same pattern as others, like the Ellsberg break-in, that had no relation whatever to campaign funds. It seems more plausible to attribute such actions to the kind of men involved than to the amount of money on hand.

In any case, though Presidential campaign expenditures have been rising steeply, the huge and clearly overabundant sum raised by President Nixon in 1972 may represent an aberration. Furthermore, there is no clear evidence that, on the whole, mounting campaign costs have disproportionately aided either Democrats or Republicans. The two parties have had remarkably similar fund-raising successes at the Congressional level. And while the Republicans have enjoyed in recent elections a decided advantage at the Presidential level, this is partly due to heavy Democratic spending in the Presidential primaries and to the deep divisions that have plagued the party and hindered its fund-raising efforts. Moreover, Watergate is likely to have an adverse impact on future Republican fund-raising and generally to divide and weaken a party that already has a decided minority status in terms of registered voters. Given these circumstances, there is little reason to be overly concerned about a permanent financial imbalance between the two parties.

The problem of the monetary advantage enjoyed by incumbents over challengers may be a cause of somewhat greater concern, but it is far from clear that it produces any serious distortion in the

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American political system. Many of the electoral benefits of incumbency—particularly when the incumbent belongs to the clearly stronger party in his constituency—have nothing to do with money, and thus lie beyond the reach of campaign financing reforms. Moreover, particularly in the House, whose members are elected only for short two-year terms, the system derives certain real benefits from the frequent return of incumbents, which allows members to build up expertise in particular areas of policy and in the workings of the legislative process. And the existence of relatively "safe" seats frees some Congressman from having to devote the bulk of their thoughts and energies to their never very far off re-election campaigns, and permits them to concentrate their attention on the affairs of the nation.

Further, the Common Cause data on the financial resources of incumbents and challengers are open to varying interpretations. While they show that incumbents generally receive more money than challengers, they also indicate that strong challengers are sometimes able to raise more than the incumbents they oppose. What is more, the figures reveal that House candidates in races without an incumbent spend much more, on the average, than incumbents do. This forms part of a larger pattern in which closer races tend to involve higher expenditures than more one-sided ones, and suggests a reversal of the causal relationship that is conventionally said to hold in this matter: *It is not that candidates win because they raise more money, so much as that they are able to raise more money because they are a good bet to win.* To the extent that this is true, a reform designed to make more money available to challengers might simply raise the total cost of campaigns without having any appreciable effect on their outcomes.

But perhaps, as some seem to argue, it would be a good thing if we poured more money into our campaigns. Does it represent a distortion of priorities when our candidates for federal office spend less than the annual advertising budget of Procter and Gamble? This sort of analogy seems to me to be seriously misplaced. In the first place, a considerable part—and probably the most important part—of campaign information is transmitted, free of charge, through the news media. It is doubtful that past a certain point—which may already have been reached in many campaigns—further campaign propaganda will have any "educational" value at all. In fact, a saturation level of campaigning may very well have a negative impact, disgusting voters and making them as cynical about politics as they are about television commercials.

There is no simple or reliable way to decide what the "right"

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amount of campaign spending might be. It obviously will vary with differing perceptions and especially with differing circumstances. The same sum per voter might be too much in one district and too little in another, or too much in one campaign year and too little in another. If the question of how much candidates spend were the decisive issue of campaign finance reform, there would be no justification for imposing a regulatory straitjacket on the electoral process.

Campaign money and political influence

But the question of total expenditures it *not* the decisive issue. *The heart of the matter is not how much is spent, but where the money comes from.* If the sums expended during the 1972 election had all been raised in contributions of $10 or less from a wide spectrum of the population, it is doubtful that anyone would complain very much about expenditures being too high or too low. But the great bulk of funds expended by many candidates does not come from a large number of small contributors; it comes from a small number of large contributors. And this inevitably raises the question whether at least some of these large contributors do not gain improper influence over government officials—and therefore government policy—in exchange for their campaign dollars.

Obviously, there are occasional flagrant and clearly illegal abuses (of the sort alleged in the ITT and Milk Fund cases, or in the selling of ambassadorships) in which a direct quid pro quo is awarded to the large contributor. At the other end of the scale, there are wholly untainted donations made from patriotic or ideological motives, where no favor is expected in return. The real controversy is about the gray area in between, where interested parties contribute to candidates in hopes of furthering their aims in a more general and indirect fashion. Here, once again, there can be varying interpretations of the pattern of causality: Does a Congressman, for example, vote for increased military spending because he depends on contributions from defense interests; or does he receive those contributions because he is known to be an advocate of strong military preparedness?

In most cases, it is impossible to give a definitive answer to this kind of question. How one feels about a system that allows for this sort of ambiguity is likely to depend on one's more general view about the proper and legitimate role of interest groups in a democratic polity. Those who favor a free and wide-open competition among interest groups tend to oppose limitations on the amount of

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private contributions. In addition to citing the First Amendment problems inherent in imposing such restrictions, they generally emphasize, in the context of the current debate, the cleansing effect of the strict disclosure provisions enacted in 1971. They argue, first, that the fear of publicity—as well as the impact of the Watergate scandals and prosecutions—will in the future deter the grosser forms of buying favors through campaign contributions. And as to the more ambiguous sorts of interest-group contributions, they contend that as long as the public knows which interests are backing which candidates, and can use this knowledge in deciding how to vote, no real problem remains.

At the other pole from these "pluralists" are the "egalitarians," who regard all economic interest groups with suspicion. They typically are opposed to the very principle of private campaign contributions and support full public financing. For this view is critical not only of what it considers the unjust advantage that particular interests obtain by means of their contributions, but also of the more general bias it gives the system in favor of the "haves" against the "have nots." This position was articulated (before campaign financing became a burning public issue) by John Rawls in *A Theory of Justice*: ". . . when parties and elections are financed not by public funds but by private contributions, the political forum is so constrained by the wishes of the dominant interests that the basic measures needed to establish just constitutional rule are seldom properly presented."

Between the extreme "pluralist" and "egalitarian" positions, there lies a middle ground occupied by those who recognize the legitimacy of economic interest groups and the value of private campaign contributions, but are nonetheless disturbed by the disproportionate influence that may be gained through very large contributions. From this point of view, the fact that some citizens or groups contribute more than others does not in itself constitute a problem. Such disparities inevitably occur when any activity is left to private, voluntary action, and in themselves they are no cause for concern. But it is a very different matter when particular contributors can provide so significant a portion of a candidate's funds that he may feel constrained to do their bidding.[3] This creates the possibility of a

[3] This problem is especially acute in the case of those economic interests whose activities are closely regulated by government. A decision on the level of milk price supports is much more susceptible to being influenced by large campaign contributions than a decision on an ideologically charged and highly publicized issue like whether the country needs an ABM.

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serious distortion of the democratic process, and suggests the need for placing a reasonable limitation on the size of contributions.[4]

Contribution limits

Even if the amount of improper influence acquired through large contributions is grossly exaggerated, the mere *appearance* of such impropriety can be extremely damaging. This is the dominant theme in the criticism of the present campaign financing system voiced by most Congressmen. They do not feel that they have been unduly influenced by large donations, but they are profoundly disturbed by the fact that so great a portion of the public seems to believe the contrary. Not only is this kind of public cynicism unhealthy in itself, but it also has contributed to a perversion of much of our political discussion. Of late candidates often seem to devote more energy to attacking their opponents' financial backing than their positions on substantive issues. In the absence of limitations on contributions, the new disclosure laws may only reinforce this unfortunate tendency.

Contribution ceilings, to be sure, do create some difficulties. In addition to raising First Amendment problems similar to those posed by a ceiling on candidate expenditures, the prohibiting of large contributions would severely reduce the amount of money that is available for conducting most campaigns. And the impact of this shortfall would probably be most acutely felt by just those challengers who were waging the kind of hard contest against incumbents that tends to be most expensive. Therefore, most proposals for restricting the size of personal contributions also attempt to provide for some way of making up for the loss of funds that would result. There are basically two ways of bringing in the desired additional sums: through an increase in the volume of small private contributions, or through money supplied from the public treasury. It is the latter solution—that of public financing—that today has captured the center of Congressional and public attention.

Thus there are two rather different justifications for using public funds to finance political campaigns. The first, which is more abstract

[4] The Senate bill would place a limit of $3,000 on individual contributions and $6,000 on group contributions to any candidate for federal office. It is not clear to me why the same limit should be applied to Presidential, Senatorial, and House races: $3,000 would be only an extremely tiny fraction of a Presidential candidate's total funds, but a sizable fraction of a House candidate's total funds. It would thus seem reasonable to have a higher limit for donations to Presidential candidates and a lower limit for donations to House candidates.

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and ideological, opposes the very principle of private contributions because that principle permits differences in wealth—even if only rather small differences—to have an impact on the electoral process. The second justification for using public funds is a more pragmatic one, and it is by no means incompatible with the view, still endorsed by most politicians, that small voluntary private contributions are a valuable means of involving citizens in the political process. Indeed, this more pragmatic position regards public funding less as a positive good than as a necessary evil, that must be resorted to only because there is an insufficient number of small donors. The logical implication of this view—which I believe is actually the dominant one among Congressional supporters of public financing—is to use government funds only as a supplement to privately raised money. But in the post-Watergate climate the more extreme position has tended to dominate, and the argument for full public financing (at least of general elections) seems to have prevailed.

But whatever its intellectual justification, and however well it may solve certain problems, public funding of political campaigns will create formidable new difficulties for our political system. First of all, any program of total public funding must necessarily incur all the disadvantages inherent in campaign expenditure limits. If generous ceilings are imposed, the impression will inevitably be created of frivolously squandering the taxpayers' money. As a result, the limits are likely to be more severe, and thus to stack the cards in favor of incumbents. Then, of course, there is the eligibility problem, with its unavoidable impact on minor-party and independent candidates. But the difficulties which beset any public funding scheme for general elections pale beside those which are posed by primary elections.

Primaries

Obviously, the standards of past electoral performance that apply for general elections—based, as they are, on the previous record of a candidate's *party*—cannot be employed for primaries. The problem, then, is to come up with some other yardstick for determining which primary candidates should receive public funding. For if it were simply granted to every candidate on the ballot, the consequence could easily be a ridiculous waste of the taxpayers' dollars. An often cited example is that of the 1960 Texas Democratic primary for Lyndon Johnson's old Senate seat, which had 73 entrants. Moreover, the promise of such easily obtained government money would

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undoubtedly create a proliferation of frivolous candidates more interested in profit (e.g., by putting their friends or relatives on the campaign payroll) than in victory.

The approach that supporters of public funding have fastened upon to avoid this difficulty is that of matching funds. This makes the test of a primary candidate's worthiness to receive public funds his ability first to raise small private contributions (up to $250 per donor in Presidential primaries and $100 in Congressional primaries). These private contributions would then be matched by equal grants of public money—but only after the candidate's private contribution total had crossed a certain "threshold." (Until the total in private contributions obtained by the candidate reached this threshold, he would get no public funds.)

Under such a plan, of course, the crucial question is how high the threshold is. For if it is set low, it will not place an adequate obstacle in the path of frivolous candidates lured by public subsidies. But if it is set on the high side, it will create an unfair disadvantage for the serious candidate who begins as an unknown and has difficulty, particularly at the outset, in raising money. More generally, any matching fund scheme can easily have the effect of *accentuating* the importance of fund-raising. Thus, if one candidate were able to raise $40,000 in small private contributions and another $20,000, matching government money would bring their totals to $80,000 and $40,000 respectively, thereby doubling the gap in the amount they would be able to spend. And "early" private money would take on special importance, as has been pointed out by Senator Philip Hart of Michigan: "For the less well-known challenger, such a system of continuing matching grants puts him at a self-perpetuating disadvantage. If his opponent is better known and has more support at the outset, he will receive more federal funds and can mount a more elaborate campaign to raise even more private money, which is then matched by a larger public grant, and on and on." Altogether, the *official* importance that a matching grant scheme puts on the amount of private funds that a candidate can raise seems strangely at odds with the reform's ostensible purpose of minimizing the influence of money in political campaigns.

Moreover, there may be real dangers to the balance of our political system in an arrangement which removes most private fund-raising from general elections (by fully subsidizing major-party candidates) but makes it a crucial element at the primary level. For such an arrangement would funnel private resources into the primaries, and would allow the heightened sense of political participation

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that accompanies giving one's own money to a candidate to flourish only at the intra-party level. The result might well be increased infighting and polarization within the parties, and less sense of the need to rally around the party's nominee for the general election campaign. And this would only lead to a further erosion of the already eroded cohesiveness of the American political party. (This same critique would obviously apply even more strongly to an arrangement that fully funded general elections and provided *no* public money for primaries.)

Indeed, it is the "openness" of our parties that makes campaign financing reform so difficult in the United States. To begin with, the cost of primary elections has greatly increased the overall expense of campaigning for office. Moreover, it is at the primary stage that a candidate's dependence on a few large contributors is likely to be at its height, since he may not yet enjoy the recognition and the resources that a party nomination generally brings. And not only are primaries a big part of the problem; they also pose, as has been discussed above, the greatest obstacles to a public funding solution. Those European nations that have adopted public financing all give the money directly to parties, who then are free to allocate it among party candidates. Suggestions for following a similar procedure in the United States have never attracted much support, because few elected officials would like to see party organizations gain the kind of power that such an arrangement might bring. And while there may be good arguments against such a radical strengthening of our wide-open parties, there is also reason to fear that taking the opposite course—giving public money directly to candidates—will render candidates even more independent of their parties, and increase the tendency toward CRP-like campaign organizations.

Government money and private initiative

Apart from the specific distortions of the political process that are likely to be produced by a mechanism of public campaign financing, there is a more general cause for concern about the entry of government into an activity that has traditionally been part of the private sphere. There are some who oppose the very principle of using a taxpayer's money to support the propagation of political views he may violently disagree with, as a violation of the spirit of the First Amendment. This objection appears to me to be rather overdrawn; in a democracy taxpayers will always find themselves in the position of financing policies and views they dislike. A more

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serious problem, perhaps, is posed by the use of public money for frivolous or otherwise objectionable expenditures. Particularly distasteful would be the use of the public treasury to pay the fees of expensive campaign consultants and "media experts." In any case, there would undoubtedly be public concern about and scrutiny of the way in which candidates spent tax dollars, and this could easily lead to a potentially dangerous increase in government regulation and control of campaigning.

Though the threat of "federal control" may often be exaggerated, there is no question that in the long run—as the experience of private universities with "affirmative action" has shown—government money is rarely awarded without any strings attached. And even if Congress and the executive branch scrupulously avoided placing any conditions on the receipt or use of government-provided campaign funds, it is doubtful that the courts would or could show similar restraint. In addition, there is always the danger that campaign funding formulas might be changed in accordance with partisan political considerations. The influence of such partisan motives has been clearly apparent in the past in Congressional and Presidential treatment of campaign laws like the dollar check-off and the equal-time provision.

The most unsettling aspect of full public funding, however, is that it would remove an important part of the campaign process from the realm of private and voluntary citizen activity. Political fund-raising, it is true, is in bad odor these days; it has even been widely attacked by politicians themselves as a "demeaning," "disgusting," and time-wasting enterprise. If a candidate is forced to abandon his own views in order to gain "fat cat" contributors, the process could certainly be called demeaning; but once large contributions are banned, this objection loses its force. And while raising funds from small contributors may be a drain on a candidate's time and energy, it forces him to be attentive to the full range of strongly felt desires and interests among his constituents. Moreover, the habit of voluntarily contributing their own resources for social and political ends is surely a healthy one for citizens of a free society, and it would be unwise to discourage it. At a time when nearly everyone decries the gigantism of government and the sense of powerlessness felt by individuals, it seems strange indeed to call for a reform, like full public funding, that reduces both the dependence of candidates on their constituents and the participation of individuals in the political process.

This, and many of the other unfavorable consequences of using

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tax dollars to pay for political campaigns, would be partially avoided by a system of *partial* public financing. In its simplest form, this would provide eligible candidates with, say, one half of the amount they would receive under full public funding, and they would then have to raise the rest in small private contributions. Such a scheme would not require the overall expenditure ceiling that full public funding must necessarily impose; as long as the size of individual contributions is limited, why prevent the candidate from raising as much private money as he can? This kind of system would suffice to assure serious candidates of a *floor* of campaign money; at the same time, it would be less costly to the public treasury and would produce less of an artificial distortion of the electoral system. Because less public money would be at stake, the impact of both the incentives and the penalties created by the eligibility formula would be reduced.

An even more desirable approach to public funding would be one that provided candidates with certain free services rather than with cash. The services most appropriate for this kind of treatment are those means of communication that have a public character—the mails and the airwaves. Supplying a certain amount of free mailing privileges and free air time would cut the cost of campaigning considerably, thus helping to compensate for the loss of campaign revenue from large contributors. This approach would assure all eligible candidates an opportunity to get their message across to the public, and also would forestall the use of public funds to pay for questionable campaign activities. And because no public money would be available for fees or salaries, it would be impossible for anyone to make a financial gain by abusing the system.

The services approach to public funding would still have to confront the knotty problem of determining candidate eligibility, but it would not be liable to the other objections against the use of public money. Making such quasi-public services available to candidates would seem to be an eminently proper way for government to combat the high cost of campaigns without unduly intruding into the private sphere. This is the practice in Britain, where candidates are provided with one free mailing and their parties are allotted a bloc of television time.

Encouraging the small contributor

But the best way to compensate for the barring of large campaign donations would be through an increase in the volume of small pri-

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vate contributions. Tax credits are the logical tool for bringing about this result. A 50 per cent federal tax credit for contributions of up to $25 to candidates or political parties was enacted by Congress as part of its 1971 reform package, and a few states now have such laws. Thus far, it is true, these laws have been little publicized and hence have had very little effect toward broadening the base of private contributions; however, there has also been little incentive thus far for candidates to make the strenuous efforts necessary to cultivate this potential source of funds. But when—as now seems inevitable—large contributions are prohibited, the situation will be suddenly altered; and under the pressure of financial necessity, candidates and parties might be much more successful in getting citizens to make tax-subsidized donations.

Furthermore, the extent of the tax-break might be enlarged. The Senate Watergate Committee (which has come out against public financing) has suggested in its final report a 100 per cent tax credit for small political contributions. This would seem certain to provide all the money needed for political campaigning, but by the same token it might lead to serious abuses. For if money could be given away costlessly, it would probably also be given away thoughtlessly. And the lure of such easily solicited campaign funds might promote numerous local or one-issue (e.g., anti-busing) candidates. But while 100 per cent is too high, something like 70 or 80 per cent should work well. A $10 donation would then cost the giver two or three dollars—which should still provide a powerful incentive to support the candidate or party of one's choice.

Like any other campaign reform, such a system of tax credits could have unpredictable effects on the political process. It might give additional political clout to large organizations that were able to persuade their members where to direct their campaign dollars. By encouraging door-to-door fund-raising, it would put a premium on campaign volunteers—or, alternatively, on professional fund-drive organizers. It could lead to a strengthening of political party organizations, which would be able to conduct fund-raising efforts on an annual basis. None of the foreseeable consequences, however, seems as worrisome as those that might be caused by other approaches to reform. Using tax incentives to finance political campaigns might ultimately cost the treasury almost as much as a system of direct public funding, but the benefits it would bring are vastly greater—increased citizen participation and the maintenance of a free and open electoral process, undistorted by unavoidably cumbersome and arbitrary government regulations.

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Gasoline Prices and the Suburban Way of Life

B. BRUCE-BRIGGS

It has long been recognized that 20th-century suburbanization and "urban sprawl" have been made possible by near-universal automobile ownership and the availability of inexpensive gasoline. Consequently, the recent shortages and sharply rising prices of gasoline, and forecasts of the end of the era of abundant cheap petroleum, have prompted some speculation that the mobility of Americans will be constrained and the long trend toward the suburbanization of America will be halted.

But an opposing position holds that Americans are so addicted to the automobile and so committed to suburban life that they will pay almost any price for gasoline. This, obviously, will mean less spent for other goods and services, thus in effect cutting the standard of living.

Since it is generally agreed that crude oil and gasoline will be much more expensive in the future than in the past, and since it is claimed that this will have such a significant impact on our national life, it is important to undertake a careful examination of the likely effects of higher gasoline prices. Of course, the heart of the issue is not the price of gasoline alone, but its relationship to income. Let us begin by examining some historical series of gasoline prices and income. The generally accepted measure of the retail price of gasoline is the monthly series published by Platt's Oilgram Price Service. The standard indicators of income are the annual median family income published by the Bureau of the Census and the weekly "spendable income for a non-supervisory worker with three dependents" published by the Bureau of Labor Statistics. These series for the past generation are displayed in Table 1.

What is most striking is that until very recently the price of gasoline has crept up only slightly—and this during a period of constant inflation and unparalleled income gains. We are all sensitive to rising prices, but we fail to notice those prices which are steady. Gasoline

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at the pump lagged far behind other prices, as indicated by the comparison with the overall consumer price index in Table 2. The past year, however, has more than made up the gap.

TABLE 1. *Gasoline Price and Income, 1955-1974*[1]

	RETAIL PRICE OF GASOLINE (PER GALLON)	MEDIAN FAMILY INCOME (ANNUAL)	SPENDABLE INCOME (WEEKLY)
1955	29.07¢	$ 4,421	$ 63.41
1960	31.13	5,620	72.96
1965	31.15	6,957	86.30
1970	35.69	9,867	104.61
1971	36.43	10,285	112.12
1972	36.13	11,116	120.79
1973	38.32	12,051	126.55
1974	53.71 (May	13,000 (est.)	132.11 (May)

[1] *Sources:* Platt's Oilgram Price Service; *1973 Statistical Abstract of the U.S.*; U.S. Bureau of the Census P-60; 87; *1973 Handbook of Labor Statistics; Monthly Labor Review; New York Times,* July 4, 1974. Median family income for 1974 is just a guess, assuming a *decrease* in real income.

TABLE 2. *Consumer Price Index Comparison, 1955-1974 (1967 Base)*[1]

	ALL ITEMS	RETAIL GASOLINE
Annual index		
1955	80.2	83.6
1960	88.7	92.5
1965	94.5	94.9
1970	116.3	105.6
1971	121.3	106.3
1972	125.3	107.6
1973	129.8	118.1
1974 (March)	145.6	165.4
Increases		
1955-60	10.6%	10.6%
1960-65	6.5%	2.3%
1965-70	23.1%	11.3%
1955-70	45.0%	26.3%
1970-74	25.2%	56.6%
1955-74	81.5%	97.8%

[1] *Source:* Calculations from Bureau of Labor Statistics data.

TABLE 3. *Gasoline Price-Income Comparison, 1955-1974*[1]

	COST OF THOUSAND GALLONS AS PER CENT OF: MEDIAN FAMILY INCOME	ANNUAL SPENDABLE INCOME
1955	6.6%	9.2%
1960	5.5	8.5
1965	4.5	7.2
1970	3.6	6.8
1971	3.5	6.5
1972	3.3	6.0
1973	3.2 (est.)	6.1
1974 (May)	4.1 (est.)	8.1

[1] *Source:* Calculations from Table 1.

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But much more interesting is how much cheaper gasoline had been getting relative to income. In Table 3 the price of gasoline is compared with income. To clarify the comparisons, gasoline is presented in 1,000-gallon units (roughly the annual consumption of a motorist), and spendable income is calculated for a 50-week year.

In 1973, gasoline cost only half as much of median family income as it had in the mid-1950's; and only two-thirds as much of the income of a blue-collar family. Small wonder that multiple-car ownership increased and people were buying less economical cars! A more startling conclusion from Table 3 is that *even with the recent sharp increases in price, gasoline remains relatively cheaper than it was in the early 1960's.*

Now let us conjecture about the implications of future gasoline price increases. It has been speculated that the retail price of gasoline might go as high as a dollar a gallon. Table 4 parallels Table 3, comparing possible costs of a thousand gallons of gasoline with current income. To be conservative, a median family income of $12,000 and a "spendable income" of $130 is assumed.

TABLE 4. *Gasoline Price-Income Comparisons*[1]

RETAIL PRICE PER GALLON	COST OF THOUSAND GALLONS AS PER CENT OF: MEDIAN FAMILY INCOME	ANNUAL SPENDABLE INCOME
$0.50	4.2%	7.7%
0.60	5.0	9.2
0.70	5.8	10.8
0.80	6.7	12.3
0.90	7.5	13.8
1.00	8.3	15.4

[1] *Source:* Calculations by the author.

Comparing these figures with Table 3, we see that a price of 80¢ a gallon merely returns gasoline to its 1955 level relative to median family income, and 60¢ a gallon achieves the same relative to spendable income. (People in the Northeast are now paying 60¢ a gallon, and seem to be resigned to it.) The mid-1950's was a period of rapid suburbanization and expansion of auto ownership, so it seems reasonable to conclude that present price levels will have a trivial effect, if any, on mobility. Because the typical blue-collar family each year becomes less typical of our increasingly white-collar nation, even a somewhat higher price of gasoline—say 70¢—is almost certain to be without any noticeable effect.

Of course, income will not remain fixed. Let us make some crude estimates for 1980, based on the assumption that we get out of our present doldrums and restore economic growth. Table 5 projects one per cent annual growth in spendable income and three per cent annual growth in median family income, yielding totals for 1980 of $138 and $14,800 respectively.

Given these projections of modest prosperity growth, it appears

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TABLE 5. *Conjectural 1980 Gasoline Price-Income Comparison*[1]

RETAIL PRICE PER GALLON	COST OF THOUSAND GALLONS AS PER CENT OF: MEDIAN FAMILY INCOME	ANNUAL SPENDABLE INCOME
$0.50	3.4%	7.2%
0.60	4.1	8.7
0.70	4.7	10.1
0.80	5.4	11.6
0.90	6.1	13.0
1.00	6.8	14.5

[1] *Source:* Calculations by the author.

that 1955 relative price levels are maintained for the median family with a 95¢ gallon of gasoline; however, the blue-collar family loses ground at any price over 75¢.

How high is gasoline likely to go? The key factor is the price of crude petroleum. Estimates of up to $20 a barrel (42 gallons) have been bandied about, but most informed commentators claim that prices of $6 to $8 a barrel will be sufficient to bring in adequate domestic sources, and that this level will control the price that can be obtained by the oil-exporting countries.

A rough relationship between crude oil and gasoline prices can be estimated. Actually, prices and costs in the oil business are an arcane mystery perhaps not known even to the oil companies. The Federal Energy Office (FEO) has estimated that the average price of a barrel of crude going into a refinery in May 1974 was just over $8 a barrel—and the FEO would be the first to admit how dubious a guess that is. But let us make some rough calculations using this figure. A barrel of oil is refined into about 20 gallons of gasoline and about 20 gallons of other products. Prorating the cost equally would mean that the per-gallon gasoline cost is 20¢. Table 6 plugs this figure into recent Platt's Oilgram releases.

TABLE 6. *Estimated Cost of Components of a Gallon of Gasoline, May 1974*[1]

Crude Oil	20.00¢
Refining, transportation, storage, overhead, profit	11.36¢
Service station markup	10.53¢
State and federal excise tax	12.02¢
Retail price	53.91¢

[1] *Source:* Estimates by the author from FEO and Platt's Oilgram Price Service data.

If we assume all other costs are fixed, the price of crude oil would have to approach *$24 a barrel* for retail gasoline to cost a dollar a gallon. Of course, no one anticipates a cost-push to that level. Such levels are only possible with a serious curtailment in supply—perhaps an extended Arab oil boycott.

But alternative sources of liquid fossil fuels become economical and available at much lower levels. The estimates for secondary and tertiary oil extraction, for conversion of oil shale, for coal liquefaction, for extraction from tar sands, for delivery from the Arctic, for

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off-shore drilling with fanatic safeguards, and for various forms of liquefied natural gas suitable for motor vehicle use all vary considerably depending on the estimator, but almost all are less than $8 a barrel. It is almost certain that practically limitless supplies of oil and adequate substitutes are available at the price we are *now* paying for oil, without improvements in technology.

So it would seem that it is highly unlikely, to say the least, that increases in gasoline prices are going to cut deeply into the pocketbook of the average American family. But what of those who are below the middling figure? Absolute price increases are relatively more expensive for lower-income groups. But the solution for them is simple—go to cars that burn less gas. There are automobiles on the road today that deliver from as little as five to as much as 30 miles per gallon. The tradeoff between mileage and cost is illustrated in Table 7.

TABLE 7. *Mileage-Cost Tradeoffs*[1]

PRICE PER GALLON	ANNUAL COST FOR 10,000 MILES IF AVERAGE MILES PER GALLON IS: 5	10	15	20	25	30
$0.30	$ 600	$ 300	$200	$150	$120	$100
0.40	800	400	267	200	160	133
0.50	1,000	500	333	250	200	167
0.60	1,200	600	400	300	240	200
0.70	1,400	700	467	350	280	233
0.80	1,600	800	533	400	320	267
0.90	1,800	900	600	450	360	300
1.00	2,000	1,000	667	500	400	333

[1] *Source:* Calculations by the author.

Note that in the 30-40¢ price range, the motorist gains practically nothing by driving a car that gives him more than 20 mpg, and most cars sold during the 1950's and 1960's were in the 10-20 mpg range. If gasoline prices continue to climb, we may reasonably expect a permanent shift to less thirsty automobiles.

But, as any motorist knows, the cost of gasoline is only a small part of the cost of operating an automobile. The standard source of auto costs is the Federal Highway Administration's "The Cost of Operating an Automobile." Table 8 shows estimated average costs for three types of sedans driven 10,000 miles per year for 10 years.

TABLE 8. *Estimated Annual Cost of Operating an Automobile, 1972*[1]

	STANDARD	COMPACT	SUBCOMPACT
Gasoline (26.9¢)	$ 197.80	$ 168.45	$125.51
Gas tax (11¢)	80.88	68.88	41.33
All gas (37.9¢)	278.68	237.33	166.84
All other	1,076.62	843.43	777.56
Total	$1,355.30	$1,080.76	$944.40

[1] *Source:* Federal Highway Administration estimates.

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Before the big price increases of 1973-74, gasoline accounted for only about a fifth of all auto operating costs. Clearly, auto ownership costs are not very sensitive to gasoline prices. Indeed, using the above estimates and recalculating with a gasoline component of 60¢ a gallon gives an annual cost for a standard sedan of $1,518, for a compact of $1,219, and for a subcompact of $1,042. *Merely switching from a standard to a compact sedan more than makes up for the increased gas price.*

To an individual who prefers a big car, switching to something smaller means a cut in his standard of living, but not, I think, a very serious one, especially considering today's low birth rate and family size—not to mention the fact that an American "compact" sedan is by no means a mini-car. Such an argument will not be very persuasive to those who believe that the auto manufacturers control the market and that Detroit has planned for big and profitable cars, but there is contrary evidence in the collapse of new car sales as a result of the Arab oil boycott during the winter of 1973-74. Many consumers do seem to be able to make rational choices.

The reference to mini-cars above reminds us of the European experience. The retail price of gasoline in Europe has long been more than double that of the United States—because of very high taxes, *not* high costs or scarcity—and their income levels are lower than ours. Mostly for this reason, European cars offer more internal space per weight and have had better gas mileage than American cars. Yet, despite high gasoline prices, heavy auto taxation, and strong controls on urban growth, the increase of auto ownership and the spread of suburbanization in Europe have gone on unchecked.

So it appears that Americans really can afford to pay much more for gasoline than in the recent past. The notion that higher gasoline prices will seriously hinder mobility and put an end to suburbanization is probably wishful thinking by those with an animus toward suburbia.

This is not to deny that much more severe effects could result from repeated *interruptions* in gasoline supply. Pointing out that Americans can pay higher prices, and that higher prices can bring in abundant oil, is an economic argument, not a political one. No price level will protect us from OPEC shenanigans, oil company machinations, or government bungling.

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